



IN THE TABLOID

TRIALS OF A
12-YEAR-OLD
MOTHER

IN THE TABLOID

BRIDGET JONES:
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INSIDE THE TABLOID
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BANKING APPOINTMENTS

Europe to end farms madness

Exclusive

Katherine Butler
Brussels

Cheaper food and less intensive farming are likely to follow the most radical reform ever of European agriculture policy, according to a Brussels plan which has been seen by *The Independent*.

Farmers will be paid direct income support, rather than the cumbersome and hugely expensive system of artificially high prices and subsidies that has been used for 35 years – the much-derided Common Agricultural Policy (CAP).

Brussels will next week propose that guaranteed prices for farmers, the cornerstone of the 30bn-a-year CAP, should be slashed by up to 30 per cent for the main crops and commodities in the initial phase of the plan, which could ultimately return agriculture to the free market.

A leaked draft of the proposals, to be published next Wednesday as a key plank of "Agenda 2000" – the package of measures to prepare the EU for expansion into eastern Europe – calls for price-cuts to farmers of 20 per cent for grain, 10 per cent for milk and 30 per cent for beef.

Prices in the shops should come down for beef, bread, milk and cheese if the proposals are implemented. Consumer groups complain that the CAP in its present form adds at least £20 a week to the weekly food bill for a family of four.

Price cuts will start to take effect from 2000, with some

sectors, such as grain, taking an immediate hit, but the steeper price cut being phased over two years.

The document assesses reforms implemented in 1992, but warns that the spectre of food mountains is looming once again, and that subsidised exports will not be an option in the future because of world trade rules.

Cereal yields are forecast to rise from 201m tons in 1996 to 214m by 2005, implying an inevitable return to unwanted grain stockpiles.

The reform, as outlined in the document, involves a huge shift from indirect price support to direct income aid, channelled principally to the smallest poorest farmers in outlying regions. Its rationale is to avert a return to the days of heat and grain mountains and milk and wine lakes by forcing the big cereals producers and cattle ranchers – for whom guaranteed prices are the biggest incentive to overproduce – to compete at world prices.

The document says: "The Commission considers it indispensable to proceed with further reforms of the CAP... Improved competitiveness will benefit consumers and leave more room for price differentiation in favour of high quality or typical products".

The proposals speak of the need to "deepen and extend the 1992 reform through further shifts from price support to direct payments and developing a coherent rural strategy to accompany this process".

Compensation for cutting guaranteed prices is built into the reform, but there will be shielded farmers.

Price cuts will start to take effect from 2000, with some

ceilings for the biggest farms, in a bid to end the present anomaly where so-called grain barons, in East Anglia or the Paris basin for example, receive cheques for millions of pounds from Brussels each year.

Savings from the scrapping of open-ended "intervention" – the system, whereby Brussels takes surplus food into cold storage to drive up prices – will be directed into a range of new "cheque in the post" payments to farmers based on the numbers of animals they own, to prevent an exodus from the land.

As a result of the new payments, it is estimated that spending on agriculture will rise by around £5bn a year, according to the draft proposals.

To be eligible for assistance, farmers will have to adopt more environment-friendly production methods and agree to stock fewer animals per field.

"It will be a move back to supporting traditional extensive farming and away from the intensive matching-sods approach which the CAP encouraged in the past but which consumers have rebelled against," said one senior EU official.

In what will be seen as the erosion of one of the founding principles of the common farm policy, individual governments will be allowed to "top up" compensation out of national budgets.

Britain will back the plan, given Labour's stated hostility to a policy which, under the influence of powerful farm lobbies in France and Germany, has been designed above all else to shield farmers.

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Killer was a robber, says Josie

Jason Bennett
Crime Correspondent

swimming towel belonging to Josie and blindfolded Mrs Russell. He then asked Josie: "Are they too tight?"

Detective Chief Inspector Dave Stevens, leading the inquiry, said: "This new information throws up a lot of questions. Was this a robbery that went wrong? Was this a petty criminal who saw the family walking along the lane and seized the opportunity to steal?"

He added: "I'm keeping back some of the details of the attack, but I think God that Josie did not see her mother being attacked. She did not see her sister being attacked, or the family dog, Lucy, which had been tied to a tree."

Mr Stevens added that the inquiry had been helped by a new DNA sampling technique that gave a profile from a dead hair found on the victim.

Mr Russell said she had no money, but could return to the family's cottage to get some, but her assailant repeated the demand.

Mrs Russell shouted at Josie to run away, but the attacker chased her and dragged her back to a small glade where he tied the three up with strips of



daughter six months after the murder, spoke of his joy at seeing Josie make her recovery. He said: "During these last months as I've seen her progress and play with her friends and her ponies, it has given me cause to carry on."

He added: "My aim is to look to the future. We do talk about my late wife and my late daughter, and Josie becomes very se-

rious and thoughtful, but she doesn't like to be sad. She prefers to be a normal, happy little 10-year-old girl, playing with her friends and doing her schoolwork."

Josie has now fully regained her powers of speech, although she does face further surgery to fully repair the wounds to her head sustained in the 15-minute attack.

Homeowners braced for new rate rise

Diane Coyle
Economics Editor

Home-owners face the prospect this week of the third increase in the cost of their mortgages in as many months.

The Bank of England is set to raise interest rates tomorrow after figures showed inflation above the Government's target. Banks and building societies are certain to do the same. A quarter point increase in mortgage rates would add about £10 a month to the cost of a typical £50,000 home loan.

The mortgage increases that have taken place so far since the election have already cost the typical borrower £20 a month. The Chancellor, Gordon Brown, also announced in last week's Budget that he would scale back mortgage interest tax relief from next April.

The prospect of a further rise in interest rates also sent the pound higher in the foreign exchanges and prompted warnings that British industry's export prospects will be damaged.

Disappointing figures showing that underlying inflation rose above the Government's target last month lay behind the interest rate warnings. It picked up to 2.7 per cent in June. Shares tumble, page 16

The immediate culprit was a jump in the price of vegetables, especially tomatoes and cauliflowers due to the bad weather. But economists said the pace of consumer demand has made it all but certain the Bank of England will raise interest rates. Most commentators expect a quarter point increase in base rates to 6.75 per cent to be announced tomorrow.

The silver lining in last month's storm clouds is that foreign holidays will be cheaper this summer. The prospect of an interest rate rise meant a pound climbed above the psychological 10-franc barrier yesterday.

This latest gain in the value of sterling on the foreign exchanges, which has amounted to 25 per cent during the past year, led to warnings that British industry will pay a high price in reduced exports, output and jobs. One City expert predicted the pound would soon climb to its highest level for a decade.

Former Chancellor Kenneth Clarke warned that by allowing the pound to climb Mr Brown risked damaging industry. "He is doing damage to manufacturing, to exporting, and to jobs that depend on that part of the economy," he said.

Josie Russell photographed, for an edition of the BBC programme *Crimestoppers UK*, exactly a year after the attack

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Shares tumble, page 16

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news

significant shorts

Care homes for the elderly come under scrutiny

An investigation was launched yesterday into whether elderly people are getting a fair deal in care homes.

John Bridgeman, Director-General at the Office of Fair Trading, said there was enormous "potential for detriment" among those going into care homes. But, he said, despite more than 150 reports into the sector, worth £5bn a year, nobody had looked at care-home issues from the consumer's point of view.

An estimated 500,000 pensioners live in nursing and residential homes across Britain, and the number is expected to rise by 25,000 over the next five years. The study Mr Bridgeman launched yesterday will focus on whether residents are given contracts setting out terms and conditions when they enter homes, and what mechanisms are in place to enable them to complain once they are in. Residents in Britain's 17,000 care homes, private and public, are being asked to write to the Office of Fair Trading with their experiences. Mr Bridgeman said the inquiry could find there was no cause for concern, but, he added, elderly people were often reluctant to complain and it was vital that their interests were safeguarded. The review is expected to finish next spring.

No police prosecution in CS death

No police officers are to be prosecuted over the death in custody of a man who was squirted in the face with CS spray while his hands were cuffed behind his back.

Ghanian-born Ibrahima Sey, 29, was sprayed with the incapacitant, which causes breathing difficulties and streaming of the eyes and nose, during a struggle at Ilford police station, east London, after being arrested over a domestic fracas in March last year. It is understood that at least five officers were attempting to restrain the 18-stone Mr Sey on the station forecourt. The use of the spray on a handcuffed man provoked an outcry, but the Crown Prosecution Service said in a statement that there was insufficient evidence to provide a realistic prospect of conviction. It added that it would review its decision in the event of evidence emerging at the inquest on Mr Sey, in September. A post-mortem examination showed that Mr Sey collapsed after a period of exertion and was suffering from hypertensive heart disease. Patricia Wynn Davies

Dame Kiri strikes a different note



Dame Kiri Te Kanawa, the soprano, struck a note of discord when she donned a beige trouser suit to collect an honorary Cambridge University degree from the Duke of Edinburgh yesterday.

Women graduates normally wear black skirt and black shoes at Cambridge graduation ceremonies. But the 53-year-old New Zealander bucked the trend by choosing the trousers and matching shoes to collect her Doctor of Music degree.

A university spokeswoman, however, said the rules were more relaxed when honorary degrees were presented. Dame Kiri was awarded her degree for services to music.

Government keeps union promise

The Government yesterday delivered one of its key promises to the Trade Union movement when it revoked the requirement that employees have to re-authorise the deduction of union subscriptions from their pay every three years. The repeal of the "check-off" legislation will be completed next year, after which union members will only have to sign up to the arrangement once. Barrie Clement

Officer charged with wife's murder

Royal Protection Squad officer Michael Coulton was yesterday charged with the murder of his wife Patricia, found stabbed to death at a nursing home in Sunningdale, Berkshire, in January. Thames Valley police said PC Coulton, 52, will appear before Bracknell Forest magistrates today, a police spokesman said. Mrs Coulton was found in her car to the grounds of Lynwood Nursing Home, where she had worked as a care assistant for eight years.

Police look into poll 'vote-rigging'

Detectives are looking into allegations of general-election vote-rigging in a seat where a Tory MP was ousted by just two votes. It was confirmed last night. Gerald Malone, the former health minister, lost his Winchester seat by the wafer-thin margin to Liberal Democrat Mark Oaten after two recounts. A spokesman for Hampshire police confirmed that the force was "investigating alleged irregularities". Mr Malone said last night: "I was aware there were two potential cases of impersonation. Beyond that I know nothing."

Orwell's home: coming up for sale

The country cottage where George Orwell wrote many of his best known works is up for sale at £195,000. The three-bedroom cottage in Wallington, near Baldock, Hertfordshire, was home to Orwell, author of *Animal Farm* and *1984*, from 1936 to 1940, after he returned wounded from the Spanish Civil War.

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BACK ISSUES
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After Diana, Janet decides it's time for a clear-out

It is a brave woman who follows the trend started by Diana, Princess of Wales in publicly clearing out her overstuffed wardrobe. Few could have imagined that the next contender in this particularly masochistic style challenge would be *Yoof* TV guru Janet Street-Porter.

Like Diana, the broadcasting queen and former head of *Live* TV has chosen auction house Christie's to dispose of 65 dresses and suits. They will be sold in South Kensington, as part of its *Street Style* sales.

Like Diana, Ms Street-Porter's outfit include many high-fashion designer creations, including those by Zandra Rhodes. It is unlikely, however, that Princess Diana shares Ms Street-Porter's fondness for flamboyant designs by Vivienne Westwood, Osbourne Clark and Jean Paul Gaultier.

Like Princess Diana, who defined to place her wedding dress under the auctioneer's gavel, Ms Street-Porter will disappoint potential purchasers hoping for any of her four nuptial frocks.

She also stands to raise a tidy sum from the sale. But whereas the Princess raised more than £2m, current estimates for Ms Street-Porter's collection are running at around £7,000.

Unlike Diana, Ms Street-Porter's collection will not be sold for charity. A spokesman for Christie's last night stressed: "She's a client and she's selling along with others in the sale. She's not giving it away." The Janet Street-Porter collection is "a bit like a 'delight'".

Like Diana, Ms Street-Porter has

people



Schoolchildren fly home after coach tragedy



Children and adults who survived the French coach crash which killed three teenagers were due back in Britain last night.

As the accident once more focused attention on the question of safety on school trips, those passed fit for travel by doctors flew back to Manchester airport.

Their school, St James's High in Bolton, Lancashire, has closed for the rest of the week, and other pupils now abroad are returning home early. A planned visit today to EuroDisney was cancelled.

Bunches of flowers decked the gates yesterday (above). Among the sympathy messages, one read simply: "To all my friends, you will always be in my mind."

Nicola Moore, 16, was killed instantly when the coach left the road near *Notre-Dame du Pré* on Monday morning and plunged 60 feet down a ravine.

Robert Boardman, 14, died on the operating table that afternoon and his best friend, Keith Riddings, also 14, became the third victim of the tragedy early yesterday. Oth-

ers in the group of 16 British pupils and seven adults suffered mainly cuts and bruises.

Some were thrown from the coach, which was understood not to have had seatbelts.

David Bowes, the headmaster, said the school policy was to use vehicles that had seatbelts, as is required by law in Britain.

But the hired British coach broke down at the weekend and was replaced with a French one, driven by the same British driver, Jim Shaw.

Mr Shaw, 43, was interviewed in hospital by detectives yesterday.

Louise Jury and Agnès Séverin

briefing

WHITEHALL

HMSO accounts showed lack of proper procedure

The National Audit Office yesterday highlighted a lack of financial control over the accounts of Her Majesty's Stationery Office prior to its privatisation last year, and qualified the figures because of poor procedure.

HMSO was sold in September, but prior to that it had been divided up into 14 business units. While the units were responsible for their own invoicing, payments were made to HMSO's central bank account, and therefore it was difficult to reconcile payments with invoices. As a result, £1.6m is being held in a temporary account because it has not been matched to particular debtors.

The Comptroller General, Sir John Bourne, also qualified the accounts because of "an unresolved net imbalance of £482,000" on trading between HMSO's business units. He said: "there was no effective system of control over the accounting of for these inter-business transactions."

The terms of the sale, which raised £54m, are the subject of a separate NAO inquiry. The NAO points out that a number of outstanding claims against HMSO were transferred to the Cabinet Office before the sale went through, including one for £3.7m by Siba Systems Ltd, over an alleged breach of public procurement rules, but this was subsequently dropped. Christian Wolmar

PRISONS

Britain near top of penal league

Britain puts more of its population behind bars than almost any other country in Western Europe, according to a report published today. Only Spain and Portugal had a higher proportion of people in prison, the survey by the Prison Reform Trust found.

And within Britain, Scotland had the greatest proportion in jail, with 110 people for every 100,000 of the population serving a prison term.

That was followed by Northern Ireland, with 106 per 100,000 in prison, and England and Wales with 99.

Those figures, from 1995, compare with 122 per 100,000 in Spain and 119 in Portugal.

At the other end of the scale, Switzerland has just 58 per 100,000 in jail, with Ireland, Norway, Finland and Greece all on 60.

However, Britain has a long way to go before it catches up with the US, with 615 per 100,000 behind bars, or Russia with 690.

Prison Reform Trust director Stephen Shaw said: "The number of people behind bars is one European league table this country has no need to top."



TRAVEL

Airline complaints at record high

Airline passengers made a record number of complaints last year, the Air Transport Users Council said yesterday. Not surprisingly, delays were the prime grievance in 1996-97, and total complaints have now risen threefold in 10 years.

Complaints about baggage-handling and in-flight service were prominent in the 1,000-plus complaints, of which nearly 60 per cent were against foreign airlines and the remainder against UK carriers.

"The scope for air traffic control improvements in the short term has been largely exhausted and, with continuing strong traffic growth, delays seem set to increase," said the council's chairman Ian Hamer.

He added that he hoped the regular publication by the Council of airline delay performance tables - the first of which came out in April 1997 - would mean carriers would "address their problems".

SOCIETY

Cosmetic surgery a no-no for men

They might consider it acceptable for themselves, but women think cosmetic surgery for men is a big turn-off, according to a new survey. *XL for Men* magazine found that while 40 per cent of all inquiries to cosmetic clinics now come from men, 84 per cent of women respondents said they would be "put off" if they found a man had been surgically enhanced.

Asked which part of their partner's body they would change, the biggest response was for his stomach (38 per cent) followed by his chin, his chest, his buttocks and his eyes. Only 4 per cent referred to his genitalia.

The magazine concluded: "The last thing a woman wants to worry about in the heat of passion is her other half's torso melting or exploding all over the nice clean duvet. When it comes to men's bodies, like diamonds, women don't like fakes."

Jojo Moyes

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Serial killers stalk TV land

Birt says
BBC's
flagship
dramas
are costly
failure



Jackson
plans
US-style
shake-up
for C4
writers

The BBC has taken the unusual step of criticising two of its own flagship dramas – as “expensive failures” and “disappointing” – in its annual report to Parliament.

John Birt, the director general of the BBC, picked out for particular criticism the £10m nine-hour dramatisation of the life of Cecil Rhodes. He also pinpointed the equally expensive costume drama adaptation of the Joseph Conrad novel *Nostromo* as a failure.

“Just when it was tempting to forecast a new dawn for our drama, along came *Nostromo* and *Rhodes*,” he said. “We do need to improve our consistency.”

Both series saw their ratings dive after the first episode, despite big names such as Martin Shaw in *Rhodes*, and Colin Firth, star of *Pride and Prejudice*, in *Nostromo*.

The failures are particularly pointed because the repeat of *Pride and Prejudice*, shown last Sunday, proved a success by drawing 6 million viewers. BBC bosses anticipate even better ratings for this coming Sunday’s episode, featuring the famous scene with Firth as Mr Darcy in wet breeches.

Confidence in BBC drama output was not helped by the fact that, for a year, the corporation could not find anyone to head up the department. Last month it appointed Colin Adams, BBC Northern broadcasting head, to look after drama. Will Wyatt, chief executive of BBC Broadcast, said the self-criticism was about honesty: “It is about owning up when we fail. It doesn’t mean we have abandoned the right to fail.”

Mr Birt also indicated that he was unhappy with the programmes targeted at a mass au-

dience on BBC1. “BBC2 continues to innovate,” he said, “with *The Fast Show* and *Shooting Stars*, the comedy hit of the year. However ... we still need fresher mainstream entertainment for our early evening audiences.”

In addition to entertainment and drama, Mr Birt confirmed there would be a wide-ranging review of the network’s news programmes to ensure they were communicating with young people.

Sir Christopher Bland, the BBC chairman, went out of his way to deny that the corporation was “betting the farm” on commercial operations and digital television when he revealed the BBC now spends 9 per cent, or around £175m, of its revenue on digital ventures every year.

The corporation is in year one of a 10-year plan to convert to digital broadcasting, but Sir Christopher said that the corporation needed constantly to remind itself why it was getting involved in digital television and commercial partnerships with other broadcasters.

“We have a core purpose,” he said, “and despite the changes of digital television it is, and will remain, to be a public service broadcaster.”

Mr Birt said that “multiskilling” programme-makers would deliver efficiency savings of 20 per cent over the next five years.

He said journalists will be able to create a television programme on their own, using a hi-tech desktop editing system.

It will give all programme-makers access to all BBC sound and film archives via a “digital motorway” – christened the Electronic News Production System (ENPS).



Teleflops: BBC director general John Birt has criticised the channel's flagship drama *Nostromo* (above) as an ‘expensive failure’ while Channel 4’s new chief, Michael Jackson, has ensured that programmes such as *The Girls Show*, which was co-presented by Sara Cox (left), will not be recommissioned. Both channels are in the process of overhauling their drama output

Photographs: BBC/Channel 4

side, one of the channel’s most popular programmes.

Mr Jackson has publicly registered his antipathy to Channel 4 entertainment programmes

such as *The Girls Show* which is not expected to be recommissioned. *Euromil*, notwithstanding endorsement from Mr Jackson, is also expected to end its run.

This is a departure from Channel 4’s past habit of commissioning short-run dramas from big-name writers such as Alan Bleasdale, who created *GBH* and *Jake’s Progress* for the channel. Although Bleasdale is expected to continue his association with Channel 4, Mr Jackson also wants teams of writers to work on projects so they can produce longer runs as is done in the US and by Mr Garnett.

Mr Jackson is believed to want to apply the American-style “creative factory” technique of multiple-writers to comedies. “The thing about *ER* and *Friends* is that they may be produced on a factory system,” a Channel 4 insider says, “but they are very high quality. *This Life* is produced like that but is still a very British programme.”

Mr Jackson, who commissioned *This Life* when he was head of BBC 2, is known to believe that the jerkily filmed drama about the sex lives of twentysomething lawyers is the most innovative programme on television.

Mr Jackson’s plans led to the departure of Channel 4’s long-standing drama head Peter Anstey this week. He was the fifth senior commissioning editor to leave the channel since Mr Jackson’s appointment was announced in May.

However, soap fans can relax. Mr Jackson has commissioned a further three years of *Brook*.

Reports by
Paul
McCann

To see or not to see? Audience gets poor view of the Bard

David Lister
Arts News Editor

The Royal Shakespeare Company has made the astonishing admission that one third of its main house audience in Stratford-upon-Avon is getting a “remote and unsatisfactory” experience of Shakespeare.

An unpublished study by the company of the facilities at the Royal Shakespeare Theatre says: “In the balcony, for example, where almost one third of the audience sits, poor acoustics and sightlines make the experience of seeing and hear-

ing Shakespeare remote and unsatisfactory.”

The RSC undertook the study to pave the way for a lottery application to redevelop its theatres in Stratford-upon-Avon. It will be one of the most significant provincial lottery applications yet, and will involve the Royal Shakespeare Theatre closing for several months when rebuilding work begins.

But for the moment, and at the start of the tourist season, the company has admitted that one in three ticket buyers will have an unsatisfactory experience. More than 500

people sit in the balcony, paying up to £14 for seats where acoustics and sightlines are poor.

RSC spokesman Ian Rowley said yesterday that thousands of young people every year still became hooked on Shakespeare from visiting the RSC at Stratford. But he also said there was a huge file of complaints from members of the audience about the balcony, and a separate file one and a half inches thick with complaints about the ladies’ loos, or lack of them. “The queues ... are legendary,” he said.

On the question of the balcony, he

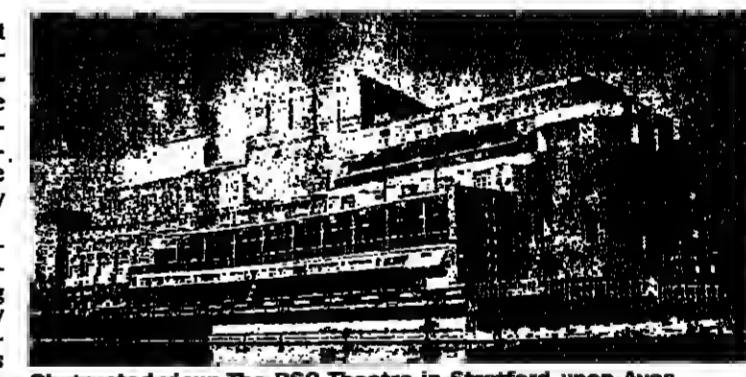
said the seating was of a bench variety and the whole structure was logically designed, “far too distant from the stage for the presentation of drama.” He added: “You go up dark, dingy steps from a separate entrance to get there ... this is the space where school parties and young people have their first experience of Shakespeare.”

Adrian Noble, artistic director of the RSC, said: “It is a very undemocratic space. Going to the balcony is like living through a cultural apartheid.”

It is not the RSC’s only problem

in Stratford. The study, carried out by the company and outside consultants, also concluded that dressing rooms are cramped, stage machinery is outdated and the deteriorating condition of working areas means they are perilously close to breaking health and safety regulations.

A lottery application will be submitted this summer for a redevelopment, which will include adapting the auditorium of the theatre, new public spaces, restaurants, larger foyers and more lavatories, as well as a new stage and backstage facilities.



Obstructed view: The RSC Theatre in Stratford-upon-Avon

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4 news

BA slashes Heathrow flights

Three quarters of international services axed as cabin crews begin strike

Randeep Ramesh and Barrie Clement

British Airways has cancelled three-quarters of its international flights and all domestic flights from Heathrow today, with those passengers who are able to get on flights likely to face long delays as the airline's cabin crews walk out on a three-day strike.

At Gatwick, two-thirds of BA's international flights will be grounded. The airline will, however, keep all domestic and European flights in its Gatwick schedule. International flights to and from Birmingham, Manchester, Edinburgh and Glasgow will be unaffected.

On the eve of the most serious industrial conflict in the company's recent history, BA showed its determination to break the strike by threatening to lock out the cabin crews if they refused to agree not to go on strike again when they report for work on Saturday.

The airline's hard-line strategy could lead to further disruption to flights in and out of Heathrow and Gatwick after the three-day stoppage ends at 6am on Saturday.

Stewards and stewardesses have been ordered to ring a special number to pledge their readiness to work normally. If they refuse to give a personal no-strike guarantee or fail to make their intentions known, they will be suspended without pay until they do so.

Fresh talks aimed at a settlement continued last night, but there were no indications of an early agreement over an imposition of a pay and conditions package.

The company is not only relying on normal working by 1,000 non-trade unionists and 3,000 members of the breakaway union Cabin Crew 89, but many of the 9,000 members of the Transport and General Workers Union going to work. The company said that an increasing number of TGWU members had said they wanted to work.

BA's flights were disrupted yesterday after nearly a quarter of the 1,500 cabin crew rostered for duty reported sick. The company, which cancelled 14 Heathrow flights, said the high absence rate was an indication that stewards and stewardesses



Grounded: British Airways cabin crew at Heathrow yesterday. Staff have been ordered to pledge their readiness to work normally. Photograph: Kalpesh Lathigra

did not want to take part in the strike.

Union officials argued that the sickness rate was overwhelmingly caused by stress following management intimidation. The company has warned that apart from suspension or even dismissal, strikers could lose concessionary travel, chances of early retirement and any prospect of promotion for three years.

Andy Webb, chairman of the rival Cabin Crew 89, predicted that large numbers of TGWU members would cross picket lines. Mr Webb contended that the dispute was

simply another phase in that union's campaign to destroy his organisation.

George Ryde, chief transport union negotiator at BA, said there had been an enormous degree of intimidation by managers, but expected members to heed the strike call.

An airline spokesman said the company planned to protect strike breakers with security cordon around Heathrow hotels where working cabin crew will have the opportunity to stay free of charge. Pick-up points for special coaches

have been arranged and the company has offered to pay taxi fares of up to £75 to ensure that employees are able to get into work.

Pickets from the transport union are expected at all the main public access points to both Gatwick and Heathrow.

A decision on whether to press ahead with strikes by 9,000 BA ground staff involved in a separate dispute is expected before the end of the week. If that group decides to press ahead with planned 24-hour stoppages, the airline will face further disruption next week.

BA estimates that up to 40,000 passengers will have their plans disrupted today. Thousands of passengers due to fly back during the stoppage will be stranded unless their travel agents make alternative arrangements.

The airline said it would endeavour to find seats on rival carriers for passengers and, as a last resort, offer refunds.

New York's Kennedy airport, a crucial hub for BA's transatlantic routes, may also be affected. The US Machinists' Union, which represents engineers, baggage han-

diers and reservations agents at the American airport, is backing the British workers. But the airline has made contingency plans to ensure that as many flights as possible will operate normally.

The union rejected company allegations that the cabin crew ballot on which the strike was based could be unlawful.

A TGWU spokesman said the vote had been conducted strictly within the law. A company source said it would not seek an injunction to stop action and conceded that it was strictly "stick waving".

English tests under scrutiny

Judith Judd
Education Editor

Government exam advisers have begun an investigation into why the proportion of 14-year-olds scoring high marks in national tests for English has dropped this year.

Their figures show that the number awarded the top two grades – levels seven and eight – is down by around two percentage points. There is no drop, however, in the percentage of top grades in maths and science, the two other subjects tested.

English teachers, who are sent the marked scripts, say the fall is the result of poor marking and are threatening to appeal against thousands of results. They claim weak students have scored more highly than they should and bright ones have done worse. The expected standard for a 14-year-old is between levels five and six.

But the School Curriculum and Assessment Authority points out that it has already checked the marking of thousands of scripts. Its officials say that only a minority of grades has been altered. It is confident that the markers have got it right.

Final results are due to go to schools by next Monday and most pupils should get their grades by the end of term next week. However, they are likely to be delayed in schools which appeal.

The re-marking was carried out after the authority discovered that the numbers receiving the top grades had fallen.

Various reasons have been suggested for the fall. It may be that this year's papers were harder, though that did not show up in trials, or simply that this year's cohort is less able than last year's. Some teachers have blamed the use of a poem by Edward Stow as a comprehension exercise.

However, a spokeswoman for the authority said: "It is not as simple as saying that it is just the poem. There is no reason why a poem should penalise those children at the top end of the range. There is also a drop in children achieving higher grades in the other paper." The National Association for the Teaching of English says that it is receiving dozens of calls from teachers who are dissatisfied with the marking and who say that they will appeal against the results.

Ann Barnes, the association's general secretary, said: "Something has gone badly wrong. The results are clustered around level four and level five. If the Government is going to set targets based on these tests, this is very serious."

Two years ago, English teachers complained about the marking of the tests and thousands of pupils' marks were changed.

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Mowlam on defensive over Drumcree leak

David McKittrick
Ireland Correspondent

The Northern Ireland Secretary, Mo Mowlam, was put on the defensive yesterday against a strong wave of nationalist anger and suspicion over her handling of last weekend's contentious Drumcree march.

An internal Northern Ireland Office document, reported in yesterday's *Independent*, has been widely interpreted as indicating that a decision to let the Orange march through had, in essence, been taken as early as 20 June.

Last night, the Government announced that an inquiry would be held into the leak of the document. The accusation yesterday from nationalist sources – and from some Unionists – was that the Government had been less than frank in saying that no decision was taken until the evening before Sunday's march.

The most frequently quoted point in a day of allegations and angry recriminations was the document's statement that a consensus existed among Ms Mowlam, her deputy minister, the RUC's chief constable, the Army's commanding officer, and the chairman of the Parades Commission that if there is no local accommodation, a controlled parade on the Garvagh Road is the least worst outcome.

A spokesman for the nationalist SDLP said: "Dr Mowlam's credibility problem was a mountain; now it is the Himalayas." Party leader John Hume, who yesterday met Ms Mowlam for an hour-long meeting, the tone of which was described as brusque, has asked to see the Prime Minister. Brendan McKenna, of the Garvagh Road residents' association, said the document showed "total duplicity and deceit".

Ms Mowlam insisted in a series of interviews yesterday that no decision had been made at an early stage, arguing that the document was inaccurate in saying she was part of such a consensus. The document was written by the Northern Ireland Office's associate director of policing and security, and was

endorsed by its director of security policy.

When the section mentioning a consensus was put to her she said: "I agree that the sentence you've just read is difficult. I fully accept that, but if you read the paper in the whole you will see that we had not made up our minds."

Ms Mowlam continued:

Labour are now crawling out of the sleaze pit themselves'

There are parts of the document which I readily accept that look as if there had been a decision taken. There were numerous different documents from different civil servants with different options in. I haven't endorsed this statement, never endorsed the document.

Speaking of the nationalist re-

action, she added: "I understand their anger, I understand their frustration, I understand their distress and this doesn't help. I don't believe I betrayed anybody, but I've got a lot of trust and confidence to rebuild."

Mr Blair is expected to use Prime Minister's Question Time in the Commons today to reinforce his support for Ms Mowlam over her handling of the Drumcree march.

Downing Street officials said

Mr Blair, who is due to fly back from the Nato summit in Madrid, had been kept in touch with events in Ulster, and "he wants to re-emphasise that Mo is doing an excellent job".

He discussed Northern Ire-

land during a 90-minute un-

scheduled session in Madrid

with President Clinton, during

which Mr Blair also expressed

his gratitude for the President's

support for the Government's

handling of the crisis in Ulster.

Sporadic violence continued

yesterday in a number of re-

publican areas, with a train set

on fire in Newry, Co Down. Du-

talling the extent of recent dis-

turbances, the RUC said that in

four days there had been 776 at-

tacks on the security forces,

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Ffion and William face their most ticklish problem yet



As photo opportunities go, William Hague's attempt to grab his share of the limelight yesterday fell some way short of the mark. The Yorkshire-born Tory leader also ran the risk of being type-cast as he and fiancée Ffion Jenkins visited the Great Yorkshire Show at Harrogate. Photograph: Ian Hodgson

Minister in shares row urged to quit

Anthony Bevins
Political Editor

The Tories yesterday stepped up their campaign against Lord Simon of Highbury and Canobury, the former BP chairman who has become a minister without divesting himself of his BP shareholding.

A Commons motion called for the resignation as Minister for Competitiveness in Europe, and the Cabinet Secretary was asked to rule whether Lord Simon was in breach of the government code of conduct.

John Redwood, shadow President of the Board of Trade, said the Opposition remained very unhappy that Margaret Beckett, the President of the Board of Trade and Lord Simon's boss at the Department of Trade and Industry, had not answered questions that had been put to her about the "apparent conflict of interest".

He said in a statement: "It looks as if a senior government minister has failed to live up to the high standards of openness required and the Government is now in a state of confusion over it."

In two separate developments, John Bercow, Conservative MP for Buckingham, tabled a Commons motion.

supported by 28 Tory colleagues, calling for Lord Simon's resignation from the Government because he had neither sold his shares nor declared his interest for inclusion in the new Lord's Register of Members' Interests.

Mr Redwood also said that

for Ministers, arising from Lord Simon's failure to inform Mrs Beckett about his continuing to hold more than £2m worth of shares in BP – a company whose interests could potentially conflict with his Treasury and DTI responsibilities".

The perceived conflict of interest was further underlined by Greenpeace yesterday, when Matthew Spencer, the pressure group's climate and energy campaigner, complained that subsidies of about £17m were being paid out to the fossil fuel industry, and oil companies were also being given preferential tax treatment.

Mr Spencer said that a former Tory energy minister, Tim Eggar, was now "heading a company, Agip, which is taking the lead in exploring for oil on the Atlantic frontier".

"There is a revolving door between the oil industry and the Government," he said. "It does raise the spectre of cosy chats between friends who are either in oil or have been in it, about how, for example, the review of North Sea oil taxation, which the Chancellor has just announced, could affect their industry and what could be a suitable outcome."



Margaret Beckett: Unanswerable questions

Julian Lewis, Conservative MP for New Forest East, would be writing to Sir Robin Butler, Secretary to the Cabinet, "drawing attention to apparent breaches in the rules laid down in Questions of Procedure

Ministry's £1m move to a smart address

Colin Brown
Chief Political Correspondent

Ministers and civil servants are busy preening their Whitehall offices for the arrival of the European leaders for Britain's turn at the Presidency of the European Union.

The entire ministerial team from the Ministry of Agriculture, Fisheries and Food is moving out of its Whitehall headquarters to more salubrious premises at Nobel House, Smith Square, at a total cost of about £947,000.

Jack Cunningham, the minister of agriculture, insisted that the move would have been necessary to enable the Whitehall Place offices to be refurbished, but an internal memorandum by the permanent secretary at Maff, RJ Packer, makes it clear that the move is carried out in time for Britain to take over the six-month Presidency in June.

Mr Packer said ministers believe their present offices "need a revamp and is not in their view of an appropriate standard for hosting the forthcoming UK Presidency". The Nobel House offices include "some rooms... of real architectural distinction", Mr Packer added.

The moving costs for ministers and officials are estimated at £120,000, and it will cost £240,000 to provide conference facilities. The Department's chief scientist's group is being moved out of Nobel House at a cost of £220,000. The Department is also paying an "occupancy charge" of £367,000 this year.

David Curry, a former Tory minister, said: "When the Whitehall building was last refurbished in 1989, we moved into the basement. I remember conducting meetings surrounded by the heating pipes. But they clearly want something more fancy for the presidency. It is a bit tactless to be doing this when ministers are still feeling very sore."

£2.3m Tory bill for faulty plastic bullets

Fran Abrams and Anthony Bevins

The Conservative government spent £2.3m on more than 3,500 years' supply of plastic bullets, most of which were faulty.

Information released to Brian Sedgemore, Labour MP for Hackney South and Shoreditch, has revealed that the police and army continued to use the first batch of 284,500 rounds for a year after it became clear that they were firing too fast and were dangerous.

Then, when the manufacturers had been given time to produce a new batch, a further 94,000 were ordered. The first batch cost £1.7m, and the second £685,000.

In 1992, the year before the first consignment was ordered, just 88 plastic bullets were fired in Northern Ireland. In 1993, the year before the next batch was bought, just 273 were used.

At 1996 levels, when more than 8,300 plastic bullets were used – the highest number for 15 years – supplies would have lasted for 45 years.

Many of the remaining, non-faulty bullets are likely to be scrapped because the Government hopes to develop a safer replacement. Since 1981 more than 1,000 people have been injured by the bullets, though no one has been killed by them since 1989.

Almost 9,000 of the faulty bullets were fired during disturbances in the province last year. A further 45,000 were withdrawn after the new, more accurate batch was introduced.

The remaining 230,000 were used in training, according to the Ministry of Defence, even though there is a laser simulator for that purpose.

The MoD decided to stop using the faulty bullets in February 1997 and finally withdrew them in April, even though it had known since early 1996 that they were firing too fast.

Nolan plan to jail councillors for corruption

Christian Wolmar
Westminster Correspondent

Councillors should no longer face the prospect of being surcharged if they misbehave but instead, could be sent to jail, according to recommendations by Lord Nolan's Committee on Standards in Public Life.

The third report by the Nolan Committee, which was set up in the wake of the cash-for-questions scandal three years ago, recommends a complete reform of the way that councillors are disciplined.

Surcharge, which under current legislation is applied to councillors rather than ministers, MPs and quango board members, would be replaced by a new disciplinary procedure. While minor offences would be dealt with a new council Standards Committee, more serious offences would go to the criminal courts, to be dealt with under the new offence of "misuse of public office". Lord Nolan said "they could face a jail sentence".

The recommendations echo suggestions by the Home Secretary, Jack Straw, announced last month, for an offence of corruption for both public and private sectors with a maximum seven-year jail sentence.

The Nolan recommendations were seized on by both sides in the Westminster council gerrymandering scandal in which former Tory council leader Dame Shirley Porter and five officers and councillors face a surcharge of £31m.

Lord Nolan's criticism of surcharge, which he says is "outdated" was welcomed by Lady Porter who argues that the case against them should be dropped. She said: "The changes proposed by Lord Nolan vindicate our belief that Westminster councillors and officers were found to be at fault by a deeply flawed and unjust system."

However, three of the complainants in the case who are now Labour MPs welcomed the report. One of them, Peter Bradley, said: "It has always been my view that unlawful misconduct should be a criminal offence with all the penalties which that implies."

Lord Nolan also said that following the Downey report into the cash-for-questions case, he would have to return to his first report which dealt with Parliament to consider the issue of punishment. All the five men involved had lost their seats which

meant they could not be expelled from Parliament.

Lord Nolan was at pains to stress that while there were cases of corruption, most councillors and local government workers were honest. He said: "The vast majority of councillors and officers observe high standards of conduct."

However, Lord Nolan appeared not to have heard of the scandal that has engulfed Doncaster council and mentioned that in taking evidence for the committee he had only heard two allegations – one concerning "brown paper envelopes in a Scottish council" and another in which "English authority planning officers were moved regularly" in order to avoid allegations that they became too close to developers.

Lord Nolan's 39 recommendations include the creation by each council of a new code of conduct for councillors; the creation of a Local Government Tribunal to ensure that district auditors are no longer prosecutor, judge and jury in misconduct cases; and better rules to protect whistleblowers.

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international

WEDNESDAY 9 JULY 1997 • THE TIMES

Nato embraces Eastern partners in biggest step for half a century

Anglos carry the day in battle of the bigger alliance



Winners and losers: Robin Cook, the Foreign Secretary (top left), Tony Blair and Bill Clinton, who got their way at Madrid yesterday at the expense of Abel Matutes, the Spanish Foreign Minister (above left), the Nato Secretary-General, Javier Solana, and the Spanish Prime Minister, Jose Maria Aznar. Photographs: AFP

Invitation to Poles, Hungarians and Czechs was expected, but still infuriates Russia

Christopher Bellamy and Elizabeth Nash

Madrid

The first three states from the former Soviet bloc have been invited to join the Nato military alliance in 1999.

Nato Secretary-General Javier Solana announced the historic decision to invite Poland, Hungary and the Czech Republic to join yesterday afternoon. The announcement, which Mr Solana said was "a defining moment", signals the biggest single expansion in Nato's 48-year history and is the first to embrace countries which not long ago faced the 16-nation Western Alliance in armed confrontation.

It is an assertion that Nato won the Cold War, and Russia denounced Nato's expansion in the strongest terms. "We still consider expansion the biggest mistake in Europe since the end of the Second World War," Foreign Minister Yevgeny Primakov said in Moscow. The Russian President Boris Yeltsin was pointedly absent from the summit.

Slovenia and Romania, whose candidacy was supported by many Nato countries, missed out but Mr Solana gave them a special mention along with the Baltic States, after a long wrangle between Nato officials to devise wording acceptable to all 16 members. He stressed the door to Nato membership remained open.

Yesterday's decision at the Madrid summit means countries with a population of 60 million and armed forces of 382,000 will join Nato in 1999, increasing Nato's territory by 14 per cent.

Right to the end, the Allies argued vigorously about who should be invited to join. The majority, led by France, wanted five, including Slovenia and Romania. But the US, the dominant power in Nato, backed by Britain, only wanted three. Yesterday morning, the smallest number - the number on which all could agree - was chosen.

The only big remaining hurdle for the successful three is ratification by the parliaments of the 16 existing Nato members. They will also have practical military steps to take, but those are already underway. The Nato charter says new members must be accepted unanimously. Once they accede it is irreversible; there is no procedure for ejecting any one from Nato.

The Prime Minister, Tony Blair, said: "It is a realistic and sensible agreement. Of course, some other countries would like to have gone further. But this is not a political club. This is a military alliance."

The decision to invite only three members was a disappointment for France and other Mediterranean countries, but they accepted it rather than impose a veto. That would have risked causing an irreparable breakdown in the Alliance. President Jacques Chirac said: "We are relatively satisfied with that solution."

The supporters of five new members enacted a significant concession. Nato sources said a "strong consensus" was emerging that the balance of power between the US and European Nato members needs adjusting.

The report was downplayed by British officials, who said the matter was among several to be resolved before Spain became a full member. It was news to Mr Cook's counterpart, Mr Matutes, who said: "The British delegation have not mentioned any veto."

decision-making process", Mr Chirac said.

By mid morning yesterday, when the list was down to three, the main argument concerned the wording of the statement, stressing that the door to Alliance membership was still open. Countries which had wanted five new members wanted an explicit reference to the progress made by Slovenia and Romania towards fulfilling the conditions for membership. Britain and the US did not, arguing it might offend the three Baltic States, which also want to join. They said that if any guarantee was given to Slovenia and Romania, they might as well be invited to join now.

In the end, Mr Solana mentioned Slovenia, Romania and the Baltic States. "No European democracy will be excluded from consideration. In keeping with our pledge to maintain an open door we will keep this under continual review."

The next round of invitations is expected to be issued at the summit to mark Nato's 50th anniversary in 1999, when Poland, Hungary and the Czech Republic will join.

Mr Blair had a 90-minute meeting with President Bill Clinton at his hotel after dinner on Monday night, when they discussed enlargement. Mr Blair briefed Mr Clinton on the situation in Northern Ireland, and thanked him for supporting peace efforts in the province.

The British and Americans felt that increasing Alliance membership by five to 21 members, an increase of nearly a third, would be going too far. It would increase the area of the



Jacques Chirac: Relatively satisfied by concessions

Alliance and its population by 20 per cent. British officials pointed out that Britain is the biggest joint defence programme with Romania, bigger than any of the countries which had supported Romania joining.

Although Nato enlargement has provoked strong opposition in Russia, it has been softened by the signature of the Founding Act on 27 May, which attempts to prevent Russia being isolated. Today, Nato will sign a similar agreement with President Leonid Kuchma of Ukraine, who is representing his country at the summit, strengthening the complex jigsaw of security arrangements.

■ Madrid (AP) Nato leaders expressed concern about the crisis in the Bosnian Serb Republic. Without mentioning Radovan Karadzic, the Bosnian Serb leader locked in conflict with President Biljana Plavšić, they warned they would not accept a power grab. "We will not tolerate any recourse to force or violence," Mr Clinton and the other leaders said.

Limit of three thwarts Mediterranean ambitions

Elizabeth Nash

Madrid

A pang of disappointment ran through Nato's Mediterranean flank yesterday, as France, Spain and the rest digested their modest gains from the summit billed in advance by the Secretary-General Javier Solana as "historic". None of their efforts to draw the alliance's centre of gravity down to the south and east succeeded, as the realisation struck home that this was Uncle Sam's show.

Expectations were diminished before the summit opened, especially when President Bill Clinton announced the US would support the candidature only of Poland, Hungary and the Czech Republic, and that the southern countries' additional candidates, Romania and Slovenia, would have to wait.

The Spanish Foreign Minister Abel Matutes yesterday stressed the importance of "the

Mediterranean dimension" in enlargement but a senior Spanish official was blunter: "When Clinton said only three, we said 'forget it'. We have no choice," the diplomat said.

The summit was also supposed to streamline Nato's command structure, making it more flexible as new members joined, and a key French demand was for a European - rather than American - officer to run the Southern Command that controls the Mediterranean region.

But it became clear at the weekend that agreement on a new structure would be postponed until December, and that the idea of a European head of the Allied Forces Southern Command ("Af-south") - a proposal never taken seriously by the Americans - was probably bitten the dust.

Mr Clinton said on Monday: "We do not believe that the US should give up the command of Af-south because that's where

the US Sixth Fleet is." After troops in Germany, Japan and South Korea, "the Sixth fleet is our biggest asset beyond our borders, and the major asset of Af-south."

The French appeared yesterday to have dropped this demand, for now. But they fought to the end for five new members, hacking down amid strong indications that they wanted "a more legitimate and more effective sharing of responsibility within the alliance" and stressing that those hacking the line were "in a majority".

Spain's ambitions to carve out for Europe a stretch of the Atlantic command - a corridor along the North African coast to the Canary Islands - were also dashed, partly because Spain's full membership has been postponed until the new structure is approved, and partly because of British, American and Portuguese reluctance to disturb the Atlantic power balance.

The report was downplayed by British officials, who said the matter was among several to be resolved before Spain became a full member. It was news to Mr Cook's counterpart, Mr Matutes, who said: "The British delegation have not mentioned any veto."

Everyone accepts the Canaries must come under the European command but the islands will probably be enclosed in a European administrative hub within the Atlantic command. This is the least palatable solution for Madrid, which sought to strengthen its influence towards the Maghreb.

With sensitivities rubbed raw all round a row flared between Britain and Spain over Gibraltar. The Foreign Secretary Robin Cook was reported to have indicated a readiness to veto Spain's full integration unless it lifted restrictions on military flights over Gibraltar.

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Eurofighter given the green light

Imre Karacs

Bonn

Germany's warring government departments have struck a deal to bankroll Eurofighter, the controversial combat jet to be built together with Britain, Italy and Spain. Until now, German indecision has held up the project, already approved by the other participating countries.

Though a final Cabinet decision is only due on Friday, details of the agreement between the ministries of finance and defence have been widely leaked. According to these, Volker Rühe, the Defence Minister, will receive 850 million German marks (£289m) next year and DM1.2bn (£408m) in 1999, specifically earmarked for the multi-purpose combat aircraft that will replace the Luftwaffe's Phantom jets.

There will, however, be wide collateral damage to the German armed forces. Despite the large Eurofighter entry fees, Mr Rühe's overall budget is expected to take an overall cut of DM23.3bn (£7.95bn). German companies have invested DM6.5bn in research costs, and some 40,000 jobs are estimated mainly at Dassault, the aeronautics division of Daimler-Benz.

The new planes are the only beneficiary of an emergency budget expected to be submitted on Friday to the Cabinet by Theo Waigel, the Finance Minister.

As Germany desperately prunes back branches of the welfare state in order to meet Maastricht targets, it is hard to justify such huge sums on an untested weapon aimed at an unknown enemy.

But Mr Waigel, a Bavarian, was always likely to be sympathetic to Eurofighter, because most of the jets it would generate are in his homeland. That may not silence the critics, however, but the government will try to rationalise the decision on economic grounds. The pacifist Greens are naturally opposed, as are most of the Social Democrats, who argue that Eurofighter is an expensive luxury with no obvious benefits.

On the government benches, too, there is a great deal of scepticism, especially among the Free Democrats. But, just as it has sown the seeds of discord in the government, Eurofighter will also split the opposition. With the greatest reluctance and a great deal of squirming, Bavarian Social Democrats are likely to vote with their constituents' pockets in mind.



Chocks away: The multinational Eurofighter, given the go-ahead by Bonn. Photograph: Reuters

Mars' great flood was size of the Med

Riddle of where water went and and whether it ever supported life

Charles Arthur
Science Editor

Had the *Pathfinder* spacecraft landed where it is now 1 billion years ago, it would have been hundreds of feet under water. The Ares Vallis site was once the scene of a colossal flood that would have been big enough to fill the Mediterranean basin on Earth.

The question intriguing scientists is where the water that was once on Mars has gone and whether it might have been able to support life. Photographs taken by *Pathfinder* on its third day showed boulders stacked by currents, ripples in the rocky, salmon-pink landscape and stains left behind by puddles which evaporated long ago.

Geologists have known since the *Viking* missions 21 years ago that floods once swept the planet. The new pictures are powerful evidence confirming that. The water would have covered a swath of Mars hun-



Watch this space: A project director shows off a view of the planet taken from the lander, which with its rover vehicle is opening up new vistas for scientists. Photograph: AFP

dreds of miles wide, with churning water that reshaped the surface of the planet. "This was huge," said Michael Malin, one of the scientists at the US space agency, Nasa. He estimated that the flood hap-

pened between 1 billion and 3 billion years ago.

If, as some scientists contend, large bodies of water – rather than the rushing torrents described yesterday – ever existed on the Mart-

ian surface, life probably could have survived there. "I think we're fairly confident that there was liquid water on Mars," said Matthew Golombek, a project scientist. "The question is, could it have been

warmer and wetter, such that liquid water could just be sitting there?" Modern conditions on Mars are less welcoming. The highest day temperature measured by the lander on Monday was -12C; the lowest at

night was -76C. The missing water may have boiled off into space millions of years ago, been trapped in rocks and soil, or frozen into icecaps and underground icesheets. The Mars rover has been using its

X-ray spectrometer to determine the chemical composition of a rock the scientists have dubbed Yogi, for its squat shape. The rover is about the size of a microwave oven and is the first movable craft sent to explore the surface of another planet. So far it has only gone about 10ft from the lander. But it has delighted the scientists, who are as proud as parents seeing their child take its first steps.

The lander's camera has taken hundreds of photographs, many in colour and 3-D, leaving scientists astounded by the variety of colours and thus rock types, in view.

Because it bears on the issue of whether life existed on Mars, scientists say the evidence of floods at the *Pathfinder* landing site will be investigated intensively. But to answer the big question – whether life did evolve on Mars – scientists will have to collect and study the rocks in laboratories on Earth. Nasa plans a mission to do that in 2005.

China moves goalposts for Hong Kong elections

Stephen Vines
Hong Kong

Hong Kong's election system is to be altered in a way which critics say will ensure selection of a compliant legislature. Against a storm of protest, China decided to abolish all elected tiers of government following last week's handover of Hong Kong's sovereignty. However, elections for the legislature were promised before next July.

What was not known until yesterday was what would replace the first-past-the-post system used to elect members to geographical constituencies, which made up one-third of the seats in the now abolished legislature. These will be elected by a unique proportional representation system using a "largest remainder formula", under which winning candidates have votes redistributed to less popular ones. The territory has been divided into five mega-constituencies, ending the system of direct constituency representation.

Fred Li, a former Democratic Party legislator, said: "The purpose is to limit the number of democrats coming back to the Legislative Council." In the last elections, in 1995, pro-democracy candidates swept the board in geographical constituencies, gaining all but one of the seats.

Another move to reduce the presence of pro-democracy candidates comes in a ban on all foreign passport-holders standing for election in the geographical constituencies. Foreign passports are common among Hong Kong's middle class. Emily Lau, a former pro-democracy legislator, and top vote-winner in the last elec-

tion, is among a large group who would now be ineligible to stand.

The government will further enhance its support in the new legislature by arranging to have 10 of the 60 seats filled by members selected by an 800-strong committee, likely to be packed by its supporters. This replaces the present system, where 10 members are selected from the ranks of directly elected local-council officers.

The biggest source of support for the government is likely to come from seats set aside for so-called functional constituencies. They account for half the members of the legislature. Foreign passport-holders will be limited to standing in 12 of the 30 constituencies.

The installation of nine functional constituencies, covering the entire working population, and introduced by the former governor Chris Patten, has been scrapped and replaced by a previous system of constituencies with few electors and, often, no contested election.

Under these arrangements the pro-democracy camp, which held almost half the seats in the elected legislature, will be lucky to win a fifth in the new body.

A China-appointed committee recommended a system which appeared to be a far more audacious form of vote-rigging. The multi-seat, single-vote system they backed is designed to deprive popular parties from gaining full benefit of their support, because voters can only vote for a single candidate in a constituency with a number of seats.

This means that those with little support benefit once the bulk of the votes is given to the popular candidate and the remainder are distributed.

Peking accused of meddling in US democracy

Mary Dejevsky
Washington

The high-powered Senate committee investigating political funding abuses in last year's elections caused a sensation at its opening session yesterday by accusing China of deliberately setting out to influence the political process in the United States.

Addressing the committee's first public hearing, the chairman, Fred Thompson, a former Watergate lawyer and Republican senator for Tennessee, was uncompromising: "The committee believes that high-level Chinese government officials crafted a plan to increase China's influence over the US political process," he said.

The committee's vice-chairman, the former astronaut and now Democratic senator for Ohio, John Glenn, offered a revelation of his own. He announced one of the key witnesses, John Huang – an American of Asian origin who became a major fund-raiser at the Democratic Party's Na-

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international

Cambodian minister executed

Matthew Chance

A senior official from the party of the ousted Cambodian premier, Prince Norodom Ranariddh, was shot and killed after being arrested by troops loyal to powerful second prime minister, Hun Sen, an interior ministry official said yesterday.

Ho Sok, a secretary of state at the interior ministry, was arrested on Monday and later killed, a member of Hun Sen's party said.

Ho Sok was one of four senior Funcinpec members whom Hun Sen had accused of being responsible for two days of fighting in the Cambodian capital that left at least 55 people dead. Hun Sen, who ousted Prince Ranariddh on Sunday, said the four should be found and arrested.

Prince Ranariddh's top military adviser, General Nhieu Bun Chhay, was among the four identified by Hun Sen. Officials said the general was surrounded by troops loyal to the coup leader.

Away from Phnom Penh, fierce fighting shattered the tranquil silence around Cambodia's ancient Khmer capital last night, as rival forces clashed near the remote temple complex of Angkor Wat in the north-west.

And in another ominous sign, the authorities in neighbouring Thailand began evacuating foreign nationals, in scenes reminiscent of the panicked 1975 departure from the city when the Khmer Rouge took control. Phnom Penh's airport has remained closed to commercial traffic since heavy fighting reportedly damaged its facilities at the weekend. In Washington, the Pentagon ordered American warships to the region in case a full-scale evacuation of for-



Innocent victims: Cambodians injured in the recent fighting wait for treatment at a Phnom Penh hospital yesterday

Photograph: Reuters

signers is necessary.

In Paris, where he is in self-imposed exile, Prince Ranariddh urged the world to condemn the Hun Sen coup. "I am asking the international community to take a clear position and to never recognise a government resulting from a coup d'état," he said.

A joint statement by the Association of South East Asian Nations (ASEAN) has called for negotiations between the rival Cambodian factions. Cambodia is scheduled to join ASEAN later this month but the plans may now be delayed.

Cambodia's drift back to renewed warfare marks a failure

for the United Nations peace effort in the country. Four years ago, democratic elections marked the end of a \$2bn UN project to return Cambodia to peace after nearly 20 years of fighting. But the UN was unable to disarm the rival factions.

"Even if the 1991 peace deal

could not be fully implement-

ed, the situation would be much better now if they had tried to get the arms," said Kem Sokha, chairman of the Cambodian parliament's human rights commission.

Tanks and heavily armed troops were patrolling the streets of Phnom Penh last night. Hun Sen, who some see

as a new dictator, voiced no

dignation at any suggestion of

a return to the paralysis of a

coalition government with

Prince Ranariddh. He has ac-

used his rival of forging a mil-

itary alliance with the Khmer

Rouge, under whose rule an es-

timated two million Cambodians died.

Mourning ends for the Great Leader

Richard Lloyd Parry

North Korea announced yesterday that the three-year period of mourning for Kim Il Sung, the country's "Great Leader", was over, renewing speculation that his son, Kim Jong Il, will soon accede formally to the presidency.

The younger Kim has been commander-in-chief of North

Korea's huge military forces since 1994, but has yet to take on the highest state titles of president and general secretary of the Korean Workers' Party.

Information about the inner workings of the communist leadership is virtually non-existent, but speculation has focused on two possibilities: either protocol makes it inappropriate for a new leader to be inaugurated during

the mourning period, or Mr Kim does not command the confidence of his party.

Food shortages, economic decline and continuing tensions with Pyongyang's deadly rivals in South Korea have encouraged rumours that Kim Jong Il's authority is under threat.

Yesterday, at ceremonies to mark the third anniversary of his father's death, senior members

of the Worker's Party referred to him by military rather than state titles, but reaffirmed his status as Kim Il Sung's heir.

"Long ago he most brillian-

ly solved the question of inheri-

tance of the leadership in

Korea, with a high sense of re-

Korean Central News Agency, "Party members, officers and men of the People's Army, and

all the people will forever believe in Comrade Kim Jong Il, and follow none but him."

Last month, North Korea's ambassador to Moscow said Mr Kim would take on the presidency soon after yesterday's

ceremonies, but a report by the

South Korean government this

week predicted that this would not happen until October.

Footage shot by state television yesterday showed an un-

smiling Mr Kim silently listening to speeches praising him in

front of the Kumusan presidential

palace in central Py-

ongyang. Thousands of mourners

were shown laying wreaths

in front of a huge statue of the

late Kim Il Sung.

No entry: Lorenzo Ervin, convicted of hijacking in the US in 1969, with Australian police in Brisbane



No entry: Lorenzo Ervin, convicted of hijacking in the US in 1969, with Australian police in Brisbane

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Albania's quiet miracle confounds doomsayers

New leader will face temptation to behave like Sali Berisha, writes Andrew Gumbel



An Albanian woman begging beside pro-Berisha graffiti

no division of powers and no independent judiciary.

The country they will rule is so impoverished and anarchic that the economy cannot function and people cannot earn enough to eat without the help of criminal activities or massive outside intervention – both options fraught with the risk of official corruption.

"Locks said that a man in divers times, differs even from

decisions. Mr Nano appears to be going in the right direction.

He has opted to become prime minister rather than president, and pushed the man who led the party during his imprisonment, the relatively uncontroversial physicist Rexhep Mejdani, towards the job of head of state. This is an important first step towards establishing an orthodox parliamentary republic, in contrast to Mr Berisha's plenipotentiary leadership style.

There has also been a concerted effort to push another senior Socialist, the outgoing prime minister, Bashkim Fino, into the limelight, to suggest the new government will not just be an exclusive Nano show. Mr Fino, who came from almost nowhere to lead an all-party administration in the run-up to the elections, is tipped for the foreign ministry or a similar post.

The first sign that Mr Berisha was turning dictatorial came when he expelled a group of his most talented and popular colleagues within months of taking office; he could not tolerate being anything other than the undisputed number one. The Socialist-led opposition has a tremendous wealth of intellectual and political talent; the world will have to watch to ensure Mr Nano uses it rather than keeping it at a distance.

The other issue to watch is the fate of Mr Berisha and his circle. In Albania's brutal political climate, former leaders have all too often been killed. One fear is that the pyramid schemes still nominally in operation, Vefat and Kamberit, will blackmail the government into giving them licences for profitable sectors of the economy, such as chrome mining and telecommunications, in exchange for a pledge to reimburse their investors. This would open the whole system up to corruption. Mr Nano's advisers insist they would prefer a more orthodox solution, but concede this is a prospect they may have to face.

significant shorts

Kenyans outraged over democracy-rally deaths

The opposition and rights activists condemned Kenyan police for crushing pro-democracy rallies, killing at least eight people and injuring hundreds. Calm returned to several towns a day after the worst political violence in Kenya since 1991. Reformists, who demand constitutional changes before this year's elections, said protests would continue and parliament voted to discuss the violence as "a matter of national importance."

AP - Nairobi

Jaruzelski too ill to be tried

A Polish court said the former Communist ruler Wojciech Jaruzelski is too ill to be tried for the shooting of protesters when he was defence minister. In 1970 troops shot dead at least 44 people protesting at price rises. General Jaruzelski, 74, is among 12 former ministers and senior officials due to face a long-delayed trial over the issue in Gdansk.

Reuters - Gdansk

Le Pen's day in court

Jean-Marie Le Pen, leader of France's far-right National Front, is in stand trial in November for an alleged election-campaign assault on a Socialist candidate. Two days before the 1 June National Assembly election, in which his daughter was a candidate, he was involved in a brawl in Paris, and could be seen in videotapes tussling with Annie Peulvast, who opposed his daughter, Marie-Caroline, in the election.

Reuters - Paris

Fury at security job for 'killer'

Rights groups attacked Israel's decision to appoint as a security adviser a former secret agent who allegedly killed Palestinians after arresting them. Ehud Yatom, quoted as saying he used a rock to crush the skulls of two Gaza hijackers in 1984, was a member of a council that advised the government on counter-terrorism. The Israeli Centre for Human Rights in the occupied territories said he was "a self-proclaimed killer".

Reuters - Jerusalem

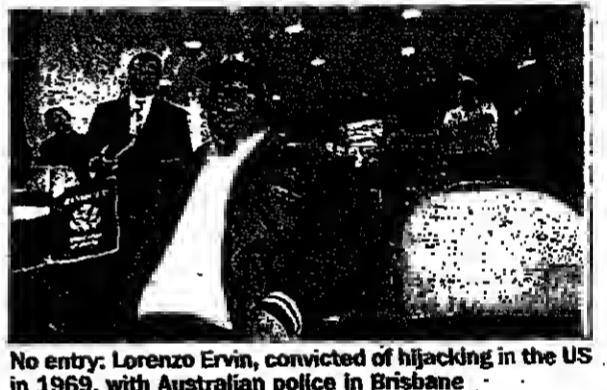
Still sprouting at 43,000 years

Botanists discovered a naturally cloned shrub thought to be 43,000 years old, *Lomatia tasmanica*, also called King's holly, is found in Tasmania. Botanists previously thought the oldest living plant was a 13,000-year-old huckleberry in the United States.

Reuters - Hobart

Former Panther kicked out

Australia ordered the deportation of a former Black Panther once convicted of hijacking an aircraft. The acting Immigration Minister, Amanda Vanstone, said Lorenzo Ervin's visa had been cancelled and he was being detained pending deportation. Mr Ervin, who was invited to Australia for a speaking tour by the anarchist group Angry People, was convicted in the US in 1969 of hijacking a plane to Cuba. He was freed in 1983. Reuters - Canberra



No entry: Lorenzo Ervin, convicted of hijacking in the US in 1969, with Australian police in Brisbane

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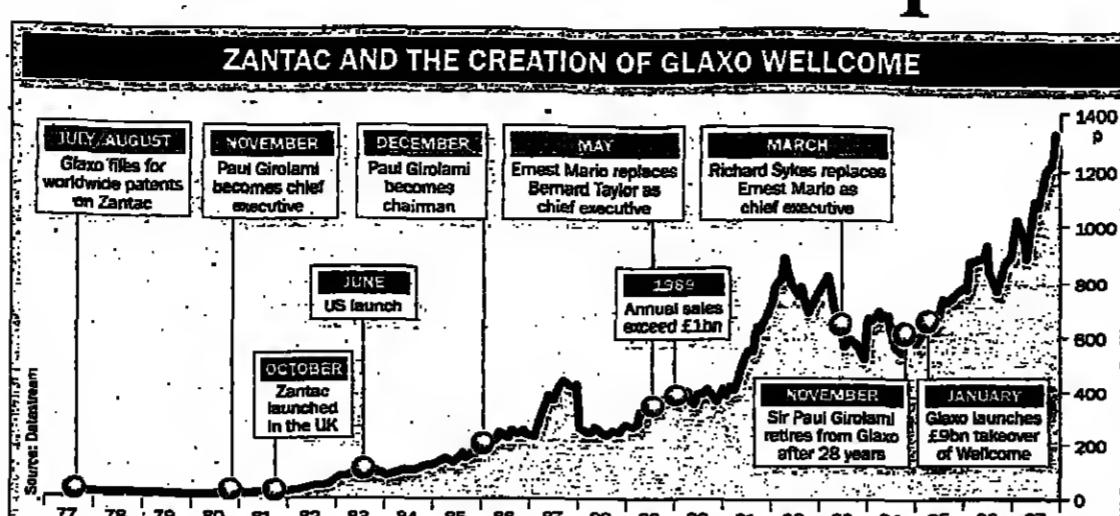
End of Zantac era is a bitter pill for Glaxo

For Glaxo Wellcome, today marks the end of an era. This is the day that Zantac, the ulcer drug that turned the company from an also-ran into a pharmaceutical colossus, finally loses its protection against generic competition in the US, the world's biggest healthcare market.

Novopharm, the Canadian group, has fought a six-year legal battle for the right to sell its version of the drug, and will this morning begin selling its tablets for at least 30 per cent less than Zantac. Through a deal struck in April, Novopharm has a 16-day window before the expiry of Glaxo's patent allows other generic rivals into the market. While Novopharm hopes this slim advantage will let it to seize a 45 per cent market share, Glaxo is already resigned to the loss of 80-90 per cent of Zantac's sales, which were \$1.6 billion (1995 million) in the US last year.

It is hard to overstate Zantac's importance to Glaxo Wellcome. Pre-Zantac, Glaxo did not have a US business. Since the drug's UK launch in 1981, it has run up total sales of almost \$19 billion. It was the world's biggest-selling pharmaceutical for a decade only recently being overtaken by Astra's Losartan, another ulcer drug. This enormous success allowed Glaxo Wellcome to plough huge sums back into research and development, producing the pipeline of new products which fed the recent sharp rise in the share price.

Remarkably, Zantac was essentially



a "me too" product — it uses the same biological mechanism that is behind Tagamet, an earlier drug based on the work of Sir James Black at SmithKline & French in the 1970s. Sir David Jack, Glaxo's former head of research, has readily admitted: "All the original thinking had been done by Jim Black."

Matthew Lynn, in his book *The Billion Dollar Battle*, argues that Zantac's greater financial success can be attributed to three bold decisions taken by Sir Paul Girolami, then Glaxo's chairman, who retired in 1994. The first was to back Sir David in the costly parallel development of Zantac, short-circuiting the tortuous

development process by carrying out several stages at the same time. The second was to launch the drug in every main market more or less simultaneously. Glaxo was able to establish itself in the US thanks to a co-marketing deal with Roche, which had capacity to spare after the collapse of Valium sales.

But the riskiest move — which Lynn says Sir Paul forced through in the face of significant internal opposition — was to make Zantac more expensive than Tagamet. The premium price helped to give doctors the impression that Zantac was the better drug. Glaxo had become overly dependent on its star product. Glaxo Wellcome is extremely

cagey about its plans to cope with Zantac's unbranded rivals. The deal with Novopharm may help, by limiting the number of competitors, and hence restricting the damage caused by price discounting.

Besides Novopharm, four other generic drug makers have made plans to sell ranitidine hydrochloride, as Zantac is chemically known. But Leslie Dan, Novopharm's chairman and chief executive, doubts whether all four will get their drug to market.

Glaxo Wellcome may also try to

claim that the "form 2" ranitidine that it sells as Zantac is superior to the "form 1" available from the generics.

The patents over "form 2" do not

expire until 2001 — the nub of the legal battle with Novopharm.

Dick Findlay, pharmaceutical consultant with AT Kearney, said the real interest for the drugs industry will be to see whether the ranitidine generics eat into the sales of Tagamet and its generics. Drugs with \$21 billion of annual sales lose

patients in the next few years and such cannibalisation could cause the industry huge problems.

Bolstered by Glaxo Wellcome's recent briefing on its new product pipeline, the City is ignoring such worries. Despite the impending loss of Zantac sales, the company has been one of the market's best performers this year, and is now valued at \$47 billion. That's a lot of tablets.

PAUL DURMAN

Pigtown provides salutary lesson for Brown's Welfare to Work

In Pigtown, one of Baltimore's decaying neighborhoods, they haven't heard of Gordon Brown. But they know what they think of welfare to work schemes of the kind celebrated in last week's Budget: more trouble than they're worth.

Nominated as a government "empowerment" zone, Pigtown offered PTP, a manufacturer of plastic packaging, tax credits to take on workers for assembly line jobs. Braced for higher turnover than usual, PTP was still unprepared for the deluge of absenteeism and drug and alcohol problems. Within three months, more than half of the new staff had left or been sacked; a year later, less than a quarter remained; two customers had also left. PTP has since filled vacancies with Vietnamese workers, even though it gets no subsidy from them.

Despite such tales from the New World, and there are many, Mr Brown's plans to spend \$3.9 billion over five years on getting the unemployed back to work are inspired largely by the revolution in the United States welfare system. He is right that the dramatic fall in the US welfare rolls does offer grounds for believing that welfare to work schemes work. But the US experience — and the chronicles of places like Pigtown — also suggest that Mr Brown's schemes may not do more than scratch the surface.

The 62-year-old US welfare system formally died on July 1, one day before Mr Brown's Budget, when controversial new laws gave states the right to design their own plans to get the unemployed back to work. Most, in fact, had jumped the gun under special waivers; the earliest schemes began a decade ago.

The most important lesson from the US experiment — and the most often missed — is that welfare to work schemes soak up a great deal of money over a long period before they begin to yield savings. Congressional rhetoric is utterly deceptive on this point: both Democratic



AMERICAN AGENDA
BRONWEN MADDOX

critics and Republican supporters tend to focus on the cuts in spending, and the harshness of the "guillotine" that will eventually cut off benefits entirely from people who do not work, a measure so far considered politically unacceptable in the United Kingdom.

In fact, the hidden truth of the US welfare to work experiment is that it is costing a fortune in childcare, training and other subsidies: between \$7 billion (\$4.3 billion) and \$9 billion a year in federal government and state money for at least the next five or six years.

The largest injection has come from a quirk of the new legislation which has given state governments a windfall of federal money. Federal grants to the states for the next five years were set on the basis on the numbers of people receiving welfare in the past; although those numbers have now fallen, in some states by 40 per cent, the payment remains unchanged.

Robert Lerman, of the Urban Institute estimates that this year the windfall is worth about \$2.5 billion to \$3 billion. He believes that it is clear that most of the added money is going into welfare to work and schemes to help immigrants find work by the new legislation. In addition, he reckons, state governments are spending between \$500 million and \$1 billion of their own money on the schemes.

Contrary to the hardline



The New Deal and welfare took millions off the scrapheap after the Depression

rhetoric of its leaders, Congress has also committed \$20 billion over six years for childcare. The final versions of the 1998 budget, being thrashed out in Congress this week, add about another \$1 billion in tax credits and maintain about \$1 billion for training in basic skills.

In comparison with that spending, Mr Brown's plans seem like small beer. True, he wants much of the spending targeted at just 200,000 of the young unemployed. In contrast, the US programmes are directed, in theory, at all of the 3.7 million households receiving benefits, although

in practice a minority attracts most of the effort. But unlike Mr Brown's injection of funds, financed by a one-off tax on privatised utilities, the US efforts, which have built up over years, will continue at this level for the best part of the next decade.

The second factor that might give Mr Brown pause for thought is that the US has largely turned its back on using training and education to address unemployment. In sharp contrast to programmes a decade ago, state governments now believe that those who take even a low-paying, dead-end

job are more likely to establish themselves in the workforce than those given months of training.

They therefore prefer to pour the money once earmarked for skills courses into childcare and anything else that makes it easier to get someone out of bed and at the employer's door by 9am. New Jersey has created a \$3.7 million transport fund to get new employees to jobs. Many cities have started clothes collection schemes to give prospective interviewees smart clothes, although with mixed success; women donating the clothes tend to be size 10

and creating up to 11 always like that.

"It's always like that," mathematicians will tell you. "It includes the number zero." 4,000 new jobs. Much frenzied babbling about the "massive impact the investment will have on job creation".

Is this in some way related to the £150 million investment Allied announced in March 1996, which was to create 7,500 jobs? Is it in any way related to the normal process of investment which goes on of necessity at any business? These extravagant philanthropic claims from publicans and supermarkets are becoming tiresome. Desist.

MARTIN WALLER

Motor head

ROB GOLDING, the highly rated motors analyst who exited SBC Warburg at the end of last year in a blaze of anonymity, has lined up his first job. He becomes non-executive director of the Car Group, the go-ahead used car supermarket business. Golding had wanted to take a year's sabbatical, something Warburg used to have no problem with but which was causing enormous hassle with new owners SBC. So he went anyway. "I was fairly confident that if I wanted to go back to the City, there would be an opening," he says. "I am pretty decided not to do

anything by way of full-time work before the end of this year." And then a return to the City? "I don't want to think about it — I would prefer to see what happens." His hiring, on the normal non-executive salary of £20,000, is a coup for the Car Group, but a logical one. Golding has always been highly critical of the daft and outdated franchise system that still governs the purchase of cars.

• VOLVO is to take over the Whitbread Round the World yacht race, sponsored by the brewer since its launch 25 years ago. "Thanks to the genius of the marketing boys, the race in September has a snappy new name: the Whitbread Round the World Race for the Volvo Trophy. I understand that in future the boats will be very slow, but very, very safe. And the captains will all be required to wear lifejackets."

Early break

MARTIN LATHAM, head of compliance at James Capel and more latterly at HSBC's various offshoots, is taking early retirement at the end of the month; days after his 55th birthday. "I've been at James Capel for 24



years, nearly. I've done five years as head of compliance. It's been challenging, it's been enjoyable — and it's worth me out." He has, wisely, brought his successor in first, Catherine Farquharson, a former compliance director at Warburg.

"Is 55 early?" he muses. "It's a pretty high stress job being head of compliance for a large organisation." The future promises a bit of consultancy work for HSBC. Latham enjoyed, if that is the word for anyone in the sensitive world of compliance, a brief moment of fame in February 1995, during the Karen Morgan Thomas affair. This never satisfactorily explained business had to do with some purchases by a former Capel employ-

ee of that name of shares in Anglia TV ahead of a takeover bid.

Hardest cut

TODAY sees the end of an anxious wait for Peter Phillips, founder of accountants Buchler Phillips, to see if he will receive the entire £1.1 million he billed for his work liquidating the estate of Robert Maxwell. Phillips was attacked by the House of Commons Social Security Select Committee for charging this for work that realised only £1.2 million. Today the High Court will rule on the matter. Given his firm's reputation for high charges — just ask Millwall fans — there will be few tears shed if the court insists on a heavy discount.

• PENSIONS firms beaten over the head by Treasury Minister Helen Liddell have acquired a nickname. In contrast to all those building society carpetbaggers, they are now known as the handbaggers.

Job lot

TONY HALES at Allied Domecq probably needs all the help he can get after the rough ride the group has had over the past five years, but yesterday's publicity stunt smacks of desperation. Cue huge fanfare: Allied is spending £150 million on its pubs.

and creating up to 11 always like that. It includes the number zero." 4,000 new jobs. Much frenzied babbling about the "massive impact the investment will have on job creation".

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MARTIN WALLER


Hales: song and dance over £150 million investment

Betrayed by Anglo-Saxon attitudes

John Prescott would love to take a positive lead on traffic in towns. Instead of baiting motorists to little effect, how much better to launch a partnership between government and business to develop affordable electric/petrol cars that emit no fumes in cities. Sadly, he cannot do this.

There is a thriving motor

industry in Britain, but no British motor industry to speak of for Mr Prescott to do an authoritative deal with. His opposite numbers in America, Japan, Germany, France and Italy can, and in some cases are taking initiatives, though Europe would ultimately need Union support. Mr Prescott must hope Britain will benefit from their efforts.

Much is rightly made of losing sovereignty to European institutions. Losing domestically controlled industries saps ministers' powers in no less vital ways. Perhaps Britain deserved to

lose its motor industry. Lord Young's "everything must go" sale of Rover to British Aerospace and its resale to BMW, when BAe was short of cash for that year, wrote the code for a long dirge.

This week, GEC's new managing director revealed that he found the joint venture culture latterly built by Lord Weinstein uncongenial. A few deals on, George Simpson's distaste will surely lose Britain several other key industries: power plant, public transport equipment and, like not, telecom manufacturing. Control will hand the future of lean-burn generation, railways and much else to others: mainly French and German. That may not be the way GEC sees it, but it is likely to end up.

Managerial whim chimes with a City obsession for cash-in-hand that will intensify after the Budget dividend grab. Analysts quickly reimaged Mr Simpson's dull ideas into the asset-stripping exercise they perennially favour in the guise of "improving shareholder value".

Mr Simpson says GEC should get closer to its customers. If he wants to stay in defence electronics, the top customer is the public, represented by min-

isters. Customers need have no qualms about using buying power to back views about GEC plans.

The securities business too is rapidly passing out of British hands. The Bank of England and the City establishment carry the blame for being too myopic and craven in allowing Barings to fail. City bigwigs now claim it does not matter who owns global investment banks and traders so long as they operate in London. Others clearly take a different view.

In France, state-owned Credit Lyonnais expanded so recklessly that losses may cost French taxpayers £15 billion. For this, they own a bank worth about £25 billion. To the fury of rivals, however, successive final subsidy packages leave largely intact the group's expensively acquired international network of subsidiaries, included a respected London securities firm. If

Credit Lyonnais represents French statism at its worst, Anglo-Saxon attitudes are as bad. National Westminster made £5.4 billion profit over the past four years and its shares beat the index, average, but it was running out of steam when its accident-prone investment bank suffered a £77 million blow. The City concluded that Natwest is not viable as an independent concern. Natwest Markets, which made £200 million last year, has to go.

Any sale of NWM is likely to be overseas, unless it were bought by Barclays's BZW, which would become the only top UK investment bank. That may happen. But voices are already urging Barclays to dismember itself. UK investment banking may well go the way of motors.

Meanwhile Mr Simpson, along with the board of Guinness and others, have signalled to the rest of the world that British groups cannot be trusted in long-term joint ventures, for instance in defence. Sooner or later, the Brits will see their share as a non-core interest to be cashed. Mind you, as Guinness's partner Bernard Arnault knows, that makes the British a good partner if your ultimate aim is to take control of another of their sensitive industries.

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Energy in Taiwan venture

The Energy Group is putting nearly £100 million into the development of a coal-fired power station in Taiwan.

The company, which is soon to be bought by Pacificorp, the US group, pending Department of Trade and Industry approval, is taking a 30 per cent stake in a joint venture with Full Power and the China Development Corporation. The Energy Group will have full operational and maintenance responsibility.

The full cost of developing the power station is expected to be £330 million. It is scheduled to be commissioned in 2001.

RPC rises

RPC, the packaging company, reported a pre-tax profit increase from £5.6 million to £10.5 million in the year to March 31. Earnings per share went from 10.2p to 11.5p. The dividend was raised from 3.8p to 4.2p and the final dividend of 2.8p, up 0.2p, will be paid on August 14. The company gave warning that it expects costs of at least £500,000 next year because of environmental legislation. These could continue at similar levels until 2001.

Approval

The Building Societies Commission yesterday formally gave the go-ahead for the takeover of Bristol & West Building Society by Bank of Ireland. The £600 million deal will benefit more than one million Bristol & West members, who will receive windfalls of either cash or preference shares.

Farepak jump
Farepak, the mail order and network marketing distributor, raised pre-tax profits 13 per cent to £8.9 million. Earnings rose 11.1 per cent to 25.16p and the total dividend is 9.9p after a final 7.15p (6.35p).

Deal agreed

United Drug, the Irish pharmaceutical company, has reached agreement to acquire Dublin Drug, a smaller competitor, subject to regulatory approval.



Ian Fox, Finance director, David Kendall, chairman, and Nick Brayshaw, chief executive of Wagon Industrial, yesterday sold their retail division for £33 million. Pre-tax profits dropped by 24 per cent to an expected £20.2 million and the total dividend falls to 12p from 19.4p.

London exchanges discount Continent's threat to City

By OLIVER AUGUST
AND ADAM JONES

THE London stock and futures exchanges yesterday denied that new co-operation agreements between bourses on the Continent are a threat to the City's dominant position in Europe.

The stock exchanges in Frankfurt and Paris will trade from a single screen from the middle of next year and futures exchanges in the two

cities will create a new European share index by the end of this year, which may be called the Eurax.

Gavin Casey, chief executive of the London Stock Exchange, said: "They have talked about co-operation before, but quite often co-operation doesn't work. While there is always some kind of threat, London remains the equity centre of Europe."

Daniel Hodson, the Liffe chief executive, agreed with

Mr Casey that the growing consolidation of European markets and the introduction of a single European currency would not damage Britain even if it stayed out of EMU.

He said: "Whenever the [European] exchanges attempted an attack on us, they have failed. We are very powerful competition to any Continental alliance."

Mr Hodson pledged that Liffe will retain its traditional dealing pit for the foreseeable

future, responding to speculation that electronic trading would gradually take over.

Frankfurt trades electronically and Paris is said to planning conversion to electronic trading.

The Liffe commitment comes as part of a five-year strategy, announced yesterday, which will see £100 million invested in upgrading dealing systems. Liffe currently uses screen-based trading for Japanese bonds and

general out-of-hours deals only.

Mr Hodson said that open outcry provided greater liquidity and a wider range of dealing options, as well as being easier to regulate.

All existing technology will be upgraded by the exchange and a new-generation electronic trading platform will be developed to handle after-hours trading in financial futures contracts within the next two years.

Jörg Franke, a board member of the Frankfurt futures exchanges, was in London yesterday to "find some new business". According to Herr Franke, Frankfurt's electronic trading system is much cheaper for participants than London's open outcry system. He said: "The London markets are bit like tennis at Wimbledon. It is the most respected venue in the world, but the English can never win."

Jean-François Theobald, president of the Paris bourse, said: "We are London's friendly competitors, like we are in rugby. A more unified market will mean that we will get more business."

Cammell Laird price set at £21.2m

By OLIVER AUGUST

CAMMELL LAIRD, the shipyard engineers, will be capitalised at £21.2 million when its 7.5 million shares are floated on the Stock Exchange at 100p on Monday, according to the prospectus.

The £2 million raised will be used to increase investment at its dockyards at Birkenhead in the North West. Six directors will share £3 million.

Cammell Laird said the list-

ing would "raise the profile of the group, enhance its reputation both with its customers, suppliers and in the communities it operates and incentivise management and employees by giving them the opportunity to participate in the ownership of the company".

The company said pre-tax profits had grown to £2 million (£700,000) in the year to April 30. The flotation price

values the company at 12.1 times last year's earnings.

John Stafford, the chief executive, owns 38 per cent of the shares, valued at £8 million. He said: "The group has already had a very strong start to the year, having won its first military contract from the Ministry of Defence."

The group, which expects

dealing in the shares to begin on July 14, highlighted the

restoration of two dry docks that are expected to significantly boost profit growth when they come on stream later in the year.

Cammell also said it has gained a conversion contract from Falcon Drilling Company Inc. in Houston, an operator of oil exploration and extraction vessels. Cammell said the contract was one of the largest it has undertaken.

ACCOUNTANCY

Honours for a top career

Ed Smith explains what is required to keep attracting the best graduates

As the next wave of university students await their exam results this month, it is worth taking stock of how new graduates view the accountancy profession as a career option.

To remain competitive in the constantly evolving and complex graduate recruitment market, we must continuously review our profile among students and strive to stay in tune with their thinking. A recent international survey of 1,200 students in ten countries showed that we are having to compete with other management consultants and with investment banks to attract the brightest and best. Some 74 per cent of the students responding to the survey majored in audit and accountancy, but many displayed a high level of interest in sectors other than our own.

Clearly, the accountancy profession must stay on its toes to maintain its success in attracting the top graduates that it needs and deserves, even in the face of alternative careers elsewhere. We must work hard to align perceptions about us with the reality of what we offer to those high-calibre graduates who are able and willing to take their seats with us at the top table in business.

To achieve this, we must position ourselves as the profession of choice for the top talent on our campuses. But

how? The survey showed that a "balanced lifestyle" is the top priority for students choosing a career. Here are some of the ways the accountancy profession can demonstrate how it meets this need.

□ Technology has revolutionised the way we work, taking away much of the labour intensive hard graft and freeing people earlier in their career to focus on aspects of auditing, risk management and business advice that add value to our clients' businesses.

□ We have always offered challenging opportunities and a much greater variety of roles and assignments than, say, banks or law firms. Our move towards more distinct specialisms in areas such as forensic accounting, corporate finance and consulting services provides an even greater range of options for ambitious young professionals.

□ Equally, we can offer real opportunities for qualified professionals to work abroad, either on client assignments or on secondments to our member firms overseas. Strategy consultancies, lawyers and bankers might have representative offices scattered round the world, but none comes close to the near global coverage of large accountancy firms.

□ Career development is no longer geared towards a rigid career path taking a graduate



Ed Smith wants a continuous review of the profession's profile through an accountancy training contract and on to partnership. Now our people can choose to move upwards within a particular specialism, or move laterally around the firm, take a career break, go on a client secondment or work part-time for a period. Provided people are committed to lifelong learning and prepared to be flexible in matching their career aims to the needs of the business, they can map out their own personal route to achieving the right balance. Indeed, increasingly, people who leave our firm for a change are returning to us after a couple of useful years developing new skills with another employer, ready to add a new perspective to the way they service clients.

□ Our traditional focus on hours when pricing or remunerating staff is making way for charging clients and re-

warding staff in return for the value that is added. This way we hope people will focus on their outputs rather than their inputs – working smarter, not harder, and getting home in time to pursue other activities.

After a balanced lifestyle, the survey indicated that students want a career with a sound financial base. A high proportion of main board directors in the UK are qualified chartered accountants. Their early training taught them the disciplines of business and gave them a qualification that is recognised worldwide. Their early work experience taught them the mechanics of business, and skills in technology, networking, people management and leadership that set them up for life and gave them more financial security than most.

Our profession is always in future investment mode. (Coopers & Lybrand, for instance, took on 600 graduates a year through the last recession.) We may not match the stop-start bonuses in the City, but we can offer competitive packages, a fair qualification for business and a varied career, including options for those with global ambitions.

These are some of the ways that we can appeal to the brightest and best graduates. But there is no room for complacency, and we should already be reviewing the key messages that we want to relay to next year's graduates.

Ed Smith is Head of Strategy, Business Assurance, Coopers & Lybrand.

No simple answers to tax avoidance

THERE is nothing a politician likes better than something that sounds unarguable. So Gordon Brown's announcement last week that he had "specifically asked" the Inland Revenue "to consider a general avoidance rule" sounded decisive. In the context of his clarion call a moment earlier in his Budget speech that "a Government committed to the proper funding of public services will not tolerate the avoidance of taxation and will be relentless in its war against tax avoidance", it sounded even better.

And it passes the traditional London cabbie's "it stands to reason" test. Any tax evasion creates a liability elsewhere in the form of a worthwhile project that, as a consequence, will lack funding.

But things in the tax world that sound simple always turn out to be complex. "It would be really nice to have total clarity," said one tax expert this week. "But 2,000 years' experience of tax systems suggests otherwise."

There is a hint that even Brown himself understands this. Hence the proposal to set up a working party to look into the idea of anti-avoidance. Working parties are what you set up to buy time. They are not set up to provide decisive action.

And it is not as though this

has never been looked at before. As John Andrews, of Coopers & Lybrand, this year's president of the Chartered Institute of Taxation, said: "The Inland Revenue have been looking at anti-avoidance for years. Every two years it is brought out of Pandora's box, looked at, and then put back again."

The Budget announcement doesn't make sense. There should be no need for a review. The Inland Revenue should be able to reach out a hand and pull some dozen or so ideas and proposals off their shelves.

But the stumbling block is exactly the same certainty and seeming simplicity that makes the idea attractive to politicians in the first place. Any general anti-avoidance proposal or legislation can only end in increasing uncertainty and litigation. This is exactly what has happened in other countries where such efforts have been made, such as Australia and New Zealand.

The difficulty is that anyone who organises their own tax affairs will find that there can be several different ways of doing so. The argument is that if you do not choose the one that ensures that you pay the most tax you

are theoretically avoiding tax. "Quite right," says the voice of reason.

But life doesn't work like that. John Andrews is fond of the example of the buying of drink at Christmas. He lives in Kent and so has two choices. He can drive to his local Tesco and buy £300 worth of what he needs. Or he can take up the £5 offer from Sealink and pop across to the Tesco in Calais and buy precisely the same stuff for about £100. Given the choice and the time, that is what the average citizen would do.

But, as Andrews points out, "in doing so I have knowingly avoided the government tax by an artificial measure". The problem lies in the seeming simplicity of the test of avoidance. No one really minds when some of the grand old tax dodges like the famous "Sark Lark" of the 1970s, which involved a complex sequence of document signatures and the Channel Island ferry timetables, are outlawed. If someone is doing ludicrous things and so avoiding tax, then it should be classed as evasion. But where is the line between nefarious complexity and innocent simplicity to be drawn?

You could create a system that allowed pre-transaction judgments. However, that is not likely to work either. A company on the verge of a takeover is not going to get an instant decision from the Inland Revenue on which might be the approved method of the five possibilities for the new organisation's structure.

In the end, the sheer complexity of the tax system will always defeat efforts at creating generally applicable rules. The only other alternative, much as supported in places such as Hong Kong, is to reduce tax rates until no one minds paying up anyway. Meanwhile, the Chancellor would be better employed looking ahead to his spring Budget. The word in the tax world is that with tax forms and software systems so complex, any changes in personal tax rates that Brown would like to announce next March could not come into force in the 1998-99 tax year. As I have suggested here before, systems and software are what now drive tax regulations. Software houses have been given assurances that six months' notice will be given of any changes. And self-assessment systems mean that changing those multi-coloured, multipart forms takes just as long. Simplicity versus complexity: there are no simple answers.

Tripped up by Dame Sheila

THE concept of the corporate awayday is an unattractive one. It conjures up a vision of senior chaps brainstorming their way through a very pleasant stay at some luxury hideaway in the Cuswolds, far removed from their busy office lives.

The English ICA thought so too. Recently its three current office-holders decided an

ANY OTHER BUSINESS

Show blow

KPMG booked a box at the new Globe Theatre last week and embarked on some highly effective corporate hospitality. The only problem is that in a reconstructed Elizabethan theatre the sightlines are not necessarily perfect. Apparently some of the action was ob-

scured by the very large pillar holding up the roof. But what they could see were the words emblazoned on the back of the pillar: "Sponsored by Price Waterhouse."

Ice age on way
THIS week the World Trade Organisation announced guidance for reciprocal recogni-

tion of accountancy qualifications worldwide. There is obviously a reciprocal deal in accountancy membership coming up between the English ICA and the Institute of accountants in Reykjavik. In the members room at Moorgate Place there is an oddity among the copies of magazines held there to keep waiting guests awake. *Iceland Review* seems a puzzling subscription to have taken out.

ROBERT BRUCE

Outsourcing boom leads to rights mess

European employment law must be clarified, says Martin Waller

You work in the information technology department of a large merchant bank. You are highly motivated, well paid and in demand for plenty of other jobs. But this is the nervous Nineties and no one is safe.

You learn that the bank plans to outsource your department. EDS, IBM or any number of other computer services providers will be asked if they want to run the department. It is not just about saving money: the bank wants to stick to what it does best. Catering, cleaning and plenty of other non-banking work has already been put out to tender.

The European Commission's Acquired Rights Directive (ARD) ensures that you and your colleagues cannot simply be sacked. It requires that when a business is transferred to another employer, the original employees' rights are protected.

The directive has been developed and interpreted to the extent that there are now two huge areas of uncertainty that must be cleared up. One is how much of the business has to be transferred for employees' rights to be protected.

Today the Court of Appeal in London has the opportunity to rule on the other. Unfortunately, the indications are that the British courts will simply flip the matter back to the European Court in Strasbourg for a ruling. This could take years. More importantly, it could eventually require a political decision rather than a legal one.

The case of Wilson v St Helens achieved brief fame at the Court of Appeal in May because counsel for St Helens Borough Council in Lancashire was Cherie Booth and it was her first brief after the election. A young offender's unit was transferred from the county council to the borough. The teachers would have been

made redundant, but they were offered new jobs at St Helens with lower wages with St Helens. They accepted and continued to work on less advantageous terms. Later they brought a case under the Wages Act for the arrears of pay they would have earned in their previous jobs.

The local authority claimed the decision to work with the new employer amounted to an acceptance of the new terms, and under common law that would have been that. However, various tribunals decided the European law took precedence, and the matter reached the Court of Appeal.

Outsourcing is big business. But most important for any business invited to bid is the certain knowledge of future costs to these can be built into any business plan.

Rory Graham is a partner at Bird & Bird, the law firm that specialises in negotiating outsourcing deals. "What people want when they are doing an outsourcing is certainty," he says. "They want to know that there's no longer a liability remaining with them."

The ARD has been enshrined in UK law as the Transfer of Undertakings (Protection of Employment) Regulations 1996, or TUPE. As the St Helens case currently stands, it is impossible for anyone providing outsourcing to take an employee from the previous employer on different terms with any certainty that those terms will stand in the future.

Employers can even offer cash inducements for employees to change terms and conditions, have these accepted and then pay them. It is still open to the employee to sue for compensation. As the Wilson judgment

lolt

the leader page

If Nato is to be bigger, will it also be better?

How odd, it may seem at first glance, that this week's Nato summit in Madrid should be proving to be so contentious an affair. After all, the alliance has comprehensively won the great Cold War confrontation for which it was created, without firing a shot. Now, in a historic redrawing of the European security map, Poland, the Czech Republic and Hungary, three members of its former Warsaw Pact foe, are poised to take part in the biggest single enlargement of Nato in its 48-year existence. Germany, cause of so much of the continent's misery this century, is about to be entirely surrounded by countries that are bound to it in voluntary alliance. Bosnia may still smoulder, but rarely in history has the risk of major conflict in the heart of Europe appeared so remote.

Enough, surely, for profound and unequivocal rejoicing. But not so. France is squabbling with the US over the distribution of power within Nato's command structure. The exact future mission of the alliance is uncertain. Above all, expansion is in dispute: not just the number of those to be admitted, but the very wisdom of the exercise itself.

Such, in a sense, are the problems of success. Winning the Cold War is indeed a hard act to follow. But the problems also reflect confusion and contradictions that, unless resolved,

could threaten the very future of the alliance.

Take expansion, the issue on which argument has been fiercest, and where the contradiction is most vivid. To reject the idea of enlargement, and thus limit Nato to its Soviet-era configuration, is to perpetuate Cold War thinking. And yet these first new admissions are taking place for the most basic of Cold War reasons: fear of Russia. Poland, the Czech Republic and Hungary admit quite openly that they are seeking membership to ensure protection from their giant neighbour to the East. And guilt at having failed central Europe, first at Munich and then at Yalta, is the prime reason the West feels it cannot deny that protection now.

"Would they die for Gdańsk?" sceptics may ask of America's isolationists, in a foretaste of arguments that will certainly be heard when the US Senate debates the enlargement treaty. To which the correct reply is, would they die for Gaul, or Garnison Partenkirchen, or even Guildford? Happily Nato's core promise, that an attack against one member is an attack against all, has never been tested in a hot war. But it is, in reality, inconceivable that America would allow the new Europe to fall victim to an aggressor.

That is not the real case against expansion. It is, first, that it draws a new division of Europe between those who are in and those who are still out; and,

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second, that it at best needlessly provokes Russia, and at worst provides a pretext for nationalists, xenophobes and others of an undemocratic bent to regain power in Moscow.

Both arguments have merit. If Poland, the Czech Republic and Hungary, then why not Slovenia, Romania, Bulgaria and the Baltic states? And why rub salt gratuitously into the wounds of a Russia that is in military and economic tatters, and is less of a threat to its neighbours than at any time since the 1917 revolution? It is easy, therefore, to sympathise with the US *raison d'être*.

and beyond which insists that enlargement is the wrong idea at the wrong time, and that the three newcomers have better things to spend their money on than fancy military hardware from the US arms industry.

Now, however, debate has been overtaken by fact. With Russia's sulking acquiescence Nato is expanding, and will expand farther in the future – perhaps, one day, to embrace Russia itself. Lost amid the quarrel over numbers is the far larger question of what the alliance is for anyway, six years after the demise of the enemy that was its

minimalist answer is that the alliance at least protects its members from each other and from themselves. The assertion holds up in part (almost certainly Greece and Turkey would have gone to war, had they not both belonged to the alliance since 1952); but only in part. Nato membership, it is claimed, is a certificate of good democracy. But it is not a certificate that anyone bothered to withdraw from the colonists who ruled Greece between 1967 and 1974. A more plausible guarantee of democracy would be membership of the European Union. Sadly, rich Western Europe has preferred to agonise over the search for a common currency, rather than throw open its doors to the aspirants from the East. But that abrogation of historic responsibility is another story.

Ever more probably, the military future of Nato lies as peacemaker and peace-enforcer. Thus far such activities have been confined to Bosnia, but with no mean success. Almost certainly this role will be extended outside Europe: indeed, under this United Nations camouflage, it already has been, in Operation Desert Storm against Iraq.

But the line to be walked is very fine. The Gulf war had overwhelming international support. Under only slightly different circumstances, however, the alliance could be transformed into the military arm of Western liberal civilisation and its economic interests,

marching into battle against the forces of Islam or Asia. At that point, the interests of the US and some or all of its European allies might well part company, and the unique transatlantic common purpose on which Nato was built might be broken for good.

Beyond expansion, that is the real challenge facing the alliance; and therein may lie the crack that leads to its ultimate fracture.

Lace and bone for La Street-Porter

Wherever Diana treads, Janet Street-Porter shall follow. Well, up to a point. The former Princess of Wales decides to sell her frocks for charity, thereby scaring several points: the Queen of Pop TV sells them because she wants to clear out her wardrobe, no doubt to make space for some even wilder creations. She should pop over to way-out Parve just now, if that's her fancy, and pick up a few of those McQueen numbers doing the catwalk. Ms Street-Porter would look just splendid in one of those lace and bone numbers we pictured yesterday. The only question is, does the East End smart boy really mean anyone to wear these things; or is he just having a good giggle at our expense?



LETTERS TO THE EDITOR

Marching against civil rights

Sir: There can be only one basis for achieving long-term peace in Northern Ireland and that is an undeviating adherence on the part of the Government to the norms appropriate to a civilised society. Every time the British government abandons such norms, as it did this week Portadown, it puts back the peace process and justifies new resort to violence.

The crucial question for government cannot be "Who is likely to produce the most violence here and now?" but "Which violence is grounded in a just case, which in an unjust?" For 70 years, our government has been intimidated by the threat of Orange violence. Until that is seen to end, it is utterly implausible to expect Catholics as a whole to back peace unequivocally.

On the one hand this basis dictates acceptance that the political status of Northern Ireland cannot be altered against the wishes of the majority; on the other it dictates no less emphatically that it is intolerable to impose on a group of citizens inhabiting a street a politico-religious demonstration abhorrent to them.

The population of the Garvagh Road had a perfect right to say no to an Orange procession and very good reason for doing so. The Government and police had a duty to uphold that right. The Orange Order had no right to march in such circumstances. Walking on Queen's highway is a right, of which in point of fact the Garvagh Road residents were temporarily deprived. Marching is never a right, only a privilege.

It is now a matter of urgency that a law be passed that nowhere in the United Kingdom will a private group be allowed to stage a political or religious demonstration down a street whose population has strongly objected to it.

Professor ADRIAN HASTINGS
Leeds

Sir: The decision by the Chief Constable of the Royal Ulster Constabulary to provide a heavily armed escort so as to make possible the Orange Order march through Portadown has highlighted, once again, the simple fact that Unionists support the link with Britain and wish British troops to remain in Northern Ireland to guarantee their permanent dominance there.

That being so it is clear that a continuing British presence and government from Westminster is not the answer to the problems facing the people in the Province but a major cause of those problems.

The best hope of peace must lie in the creation of conditions that would allow the communities in the North to determine their own future, and their relations with the Republic, within the island of Ireland, without the involvement of British troops and free from British jurisdiction.

TONY BENN MP

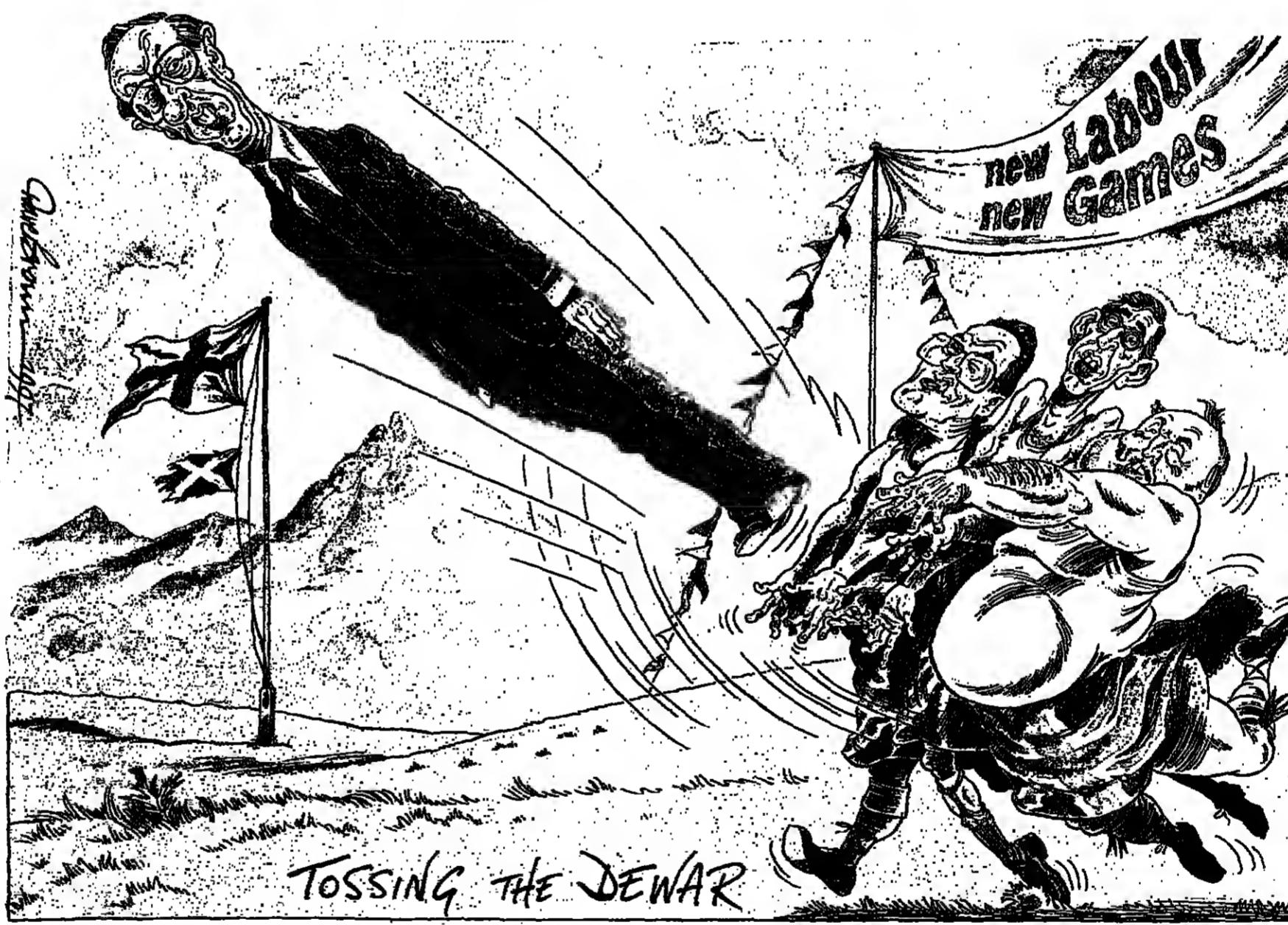
(Chesterfield, Lab)

House of Commons

London SW1

Sir: Miles Kington, in his column of 8 July, refers to the indifference of Republic of Ireland citizens to "wanting back" Northern Ireland. As a citizen of the Republic I could confirm such sentiments.

I was brought up in southern Ireland in the early 1970s when the



Help for the young jobless

Sir: It is vitally important that the Government looks wider than the Employment Service for partners in the delivery of the "New Deal" for unemployed young people.

The proposal for a "gateway" period in which young people will receive guidance and support prior to commencing the six-month employment and training options of "welfare to work" is important. However, many disaffected young people have had difficult experiences at Job Centres and careers services.

I agree with Poly Toynbee

("Labour's Big Idea – will it really work?", 7 July) that individual attention is the crucial ingredient that will make the New Deal a success. The voluntary youth sector has a special expertise in the areas of mentoring, shadowing, and providing informal personal and social education to young people.

Many of our 135 members,

voluntary youth organisations as diverse as the Woodcraft Folk and the National Council of YMCAs,

have strong local and regional structures which could be instrumental in establishing strategic partnerships.

SUSANNE RAUPRICH

Chief Executive

National Council for Voluntary

Youth Services

London WC1

Sir: Polly Toynbee, writing on welfare-to-work, asks: "Why make

it compulsory, alienating the young instead of inspiring them?" Liberal Democrats are bound to wonder whether the answer is that Gordon Brown's newly tightened spending limits may make real quality impossible.

Opponents of compulsion may be asked: "Does the state owe us a living?" There is a good case for answering yes. The trade-off of citizenship is that the state owes us protection in return for our obedience. Since this includes protection against death from road accidents or food poisoning, why not death by starvation?

If the state deprives us of this protection then, in the very carefully chosen words of an MP speaking in the House of Commons on the eve of the Civil War: "The vigour and cheerfulness of allegiance will be taken away though the obligation remains."

EARI RUSSELL

Liberal Democrat Social Security

Spokesman

House of Lords

London SW1

Sir: While one cannot but agree with Clive Cunningham's conclusion (letter, 5 July) that it is time to find a solution to the problem of Gibraltar and "let the ghosts of history rest in peace", the rest of his letter leaves one wondering whether he has actually ever been any closer to

Gibraltar than, say, Madrid. The population of Gibraltar demands not their right to "remain British" but rather the basic democratic right to decide for themselves what their status should be – a right which Spain seeks to deny them by insisting that the question of Gibraltar is not one of self-determination but of territorial integrity.

It is Spain which chose to politicise the agreement on the use of Gibraltar's airport, not Gibraltar, which has no objection at all to common-sense arrangements for sharing the airport.

I do not know on what grounds Mr Cunningham concludes that Gibraltar can never be viable on its own. It is in fact perfectly viable if only Spain would stop its constant harassment and acknowledge the right of the people of Gibraltar to decide their own future. It may well be that, given the opportunity, they would welcome a status under the EU, rather than specifically British or Spanish auspices – but that must be for them to decide.

BILL QUANTRILL

Bradford-on-Avon,

Wiltshire

The writer was Deputy Governor of

Gibraltar, 1988-90

Sir: Improved co-operation between Spain and Gibraltar could bring wealth to one of the poorest regions of Spain. This is the message the British, Gibraltarian and Spanish governments should be discussing.

The new government in Gibraltar needs the backing of the UK government to reach an agreement with Spain which would open up the airport. In exchange for Iberia and GB airways providing flights to and from major Spanish cities, which would bring trade and prosperity to the area (together with a cessation of harassment on border crossings), the Gibraltarian government should consider a major concession, such as direct access to the airport from Spanish territory, as is the case with Swiss and French airports.

Sovereignty is not the issue, however strongly politicians may wish to raise it when it suits them. This part of Andalusia has one of the highest unemployment rates in Europe and a successful and prosperous Gibraltar is in the best interests of Spain.

ANTHONY STERN

London NW1

Bank delays

Sir: Several friends of mine who work in banks have lost their jobs in recent years along with thousands of their colleagues. They are replaced by automatic systems based on computers. A computer can verify the state of credit in seconds from a Tesco check-out desk.

Can anyone explain to me why a bank cannot verify the credit of a cheque I pay in to my account for what they euphemistically call four working days? The system seems classically designed by banks to hold on to money and gather its interest.

MERVYN BENFORD

Shuford,

Oxfordshire

Mystery of the CD profits

Sir: Adrian Rondeau (Letters, 4 July) ignores two things: that many CD albums now retail at £3.99 or more, and that the price of CDs should have fallen drastically over the past 10 years.

Back in the mid-1980s, the CD-player was an innovative niche-market item, available only to enthusiasts with several hundred pounds to burn. The CDs themselves were produced by a tiny number of manufacturers and subject to a premium price.

Today, the CD-player is a mass consumer product. The vinyl record has all but disappeared and the CD has become the dominant format. The unit cost of producing a CD has fallen to just a few pence. Somewhere in the chain between the artist and the listener someone is reaping the benefit of these economies of scale.

BRIAN WRAY
Stockport, Cheshire

No pill to cure unhappiness

Sir: Andrew Brown's article "Let them eat Prozac" (5 July) was another example of ignorance about mental illness. He talks about Prozac as if it was a recreational drug that can get one high. Antidepressants relieve symptoms of clinical depression – which has nothing to do with unhappiness. Unhappiness is part of the human condition and does not respond to antidepressant drugs. People seek relief more and more from unhappiness through the use of recreational drugs, most of which are known to be dangerous. Clinical depression, however, is a potentially life-threatening illness.

Andrew Brown might like to reflect on the fact that 2,000 people a day worldwide commit suicide. To link unhappiness and the pursuit of a pain-free world with clinical depression is another example of stigmatisation of those who suffer from mental illness. Antidepressants are not "happy pills". RICHARD HORNSBY
London SW1

The Tito 'mole'

Sir: Your issue of 28 June, with "How Soviet mole united Tito and Churchill", has just reached me. James Klugman briefed me for my mission (D-magogue) to Serbia in June 1944 and I can only say his briefing was fair and balanced. He made no secret of being a member of the British Communist Party; after all, we were all on the same side then.

Incidentally, Fitzroy Maclean never himself thought Tito was a woman; that was a pukka suggestion by Evelyn Waugh.

JOHN EARLE
Tricote, Italy

Women's message

Sir: "Advertising to women is incredibly difficult," writes Simon Green in "Good Ad/Bad Ad" (7 July). He goes on to say that 90 per cent of advertising is written by men. Women are consistently recognised as better communicators, are the vast majority of (and the best) graduates in English. Now, doesn't the media industry have a little something to learn here?

JUNE RABY
London N19

the hunting debate

Who a hunt ban will really hit

As supporters head for a rally in London tomorrow, Charlie Pye-Smith says outlawing their pastime would punish not an élite but the many rural workers whose jobs depend on it

Hunting has provided me with a good living these last 20 years," says Ian Adsets, who runs a livery yard in the Cotswolds and looks after horses for people who ride with the Beaufort Hunt. "If hunting is banned, it will have a serious effect on my business - and on my blacksmith, my vet, and my saddlers." His staff - most of whom are young and unlikely to find other work in the area - could lose their jobs and the local council would have to do without the thousands of pounds of pay in business rates. The village pub and local garage could also be hit.

By introducing a private member's bill to ban hunting, Michael Foster, Labour MP for Worcester, has declared class war on a sizeable chunk of the rural workforce. A ban will have a far greater impact on the lives and welfare of rural workers than it will on those for whom hunting is merely a leisure activity. Many of the former grooms, horse dealers, hunt staff - will be forced on to the dole; the latter, in contrast, will mourn the loss of their sport, but not their livelihoods.

Until now, the lobbies that both excoriate and support hunting have been reluctant to raise the issue of class, with all its connotations of coddling and envy. The Bill will change all this, much to Labour's discomfort.

The League Against Cruel Sports has always claimed that its loathing of hunting has nothing to do with the nature of those who do it. This is disingenuous. Its campaign to ban hunting benefits from the bar-room rhetoric which links hunting with priv-

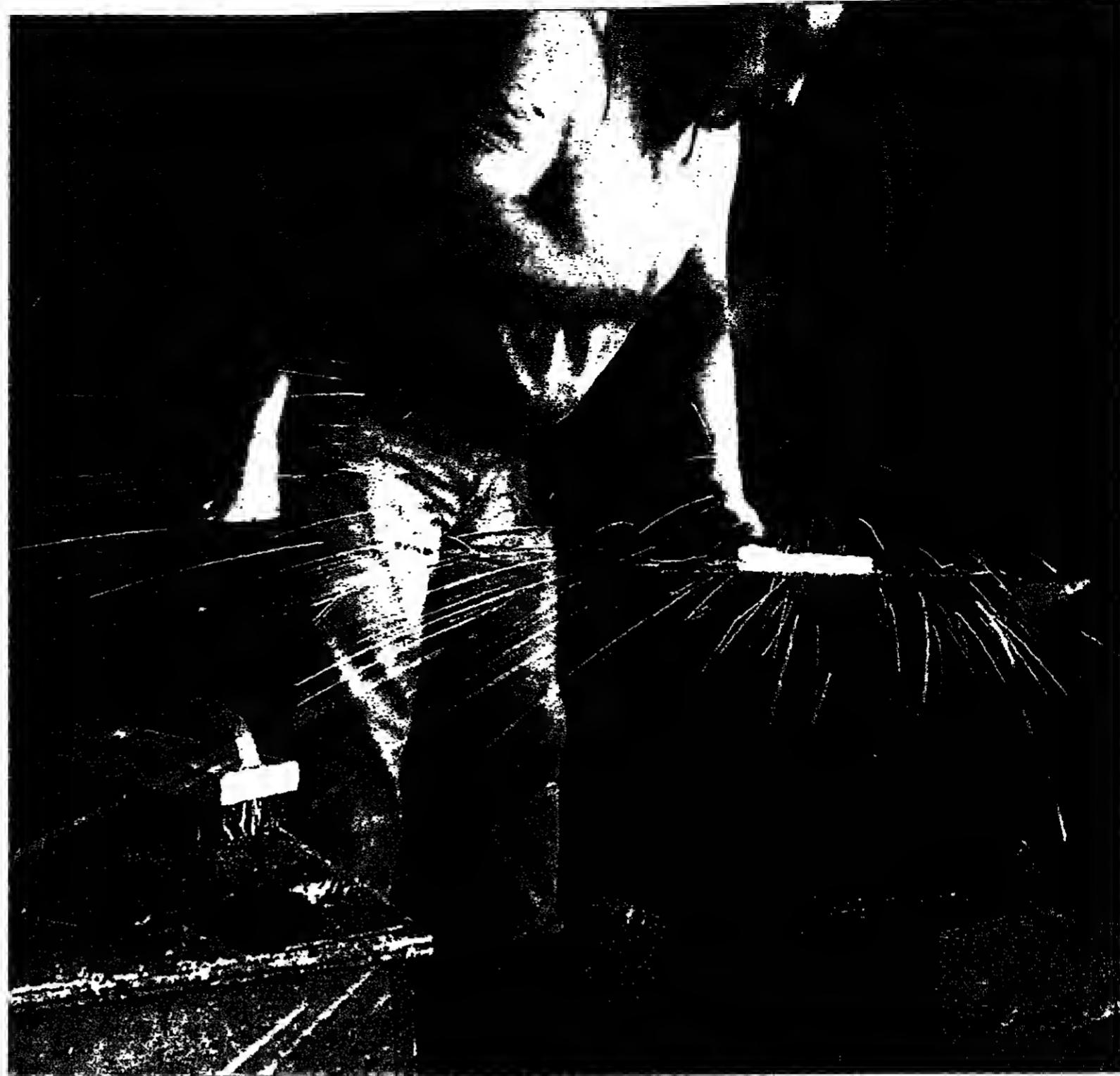
ilege. The subliminal message of much anti-hunting propaganda suggests that most people who hunt are toffs on horseback. In fact, the class profile of the 215,000 hunters and their followers mirrors the profile of the nation.

Hunting's political lobby groups, most notably the British Field Sports Society, used to be run by ruddy-cheeked Colonel Blimpish, my vet, and my saddlers. His staff - most of whom are young and unlikely to find other work in the area - could lose their jobs and the local council would have to do without the thousands of pounds of pay in business rates. The village pub and local garage could also be hit.

Three lots of animals are involved: hounds, horses and the fox. The 187 recognised fox hunts in England and Wales use 15,000 hounds and are followed by up to 60,000 horses. Hunt kennelmen, who look after the hounds, are vulnerable. "If there's a ban," explains Charles Wheeler at the Beaufort, "our hounds will be shot. They've been bred for hunting, and if they can't hunt that'll be the end of them." A ban would mean that Wheeler would lose his job and tied cottage and five other kennel staff would also be out of work.

The Beaufort, the wealthiest hunt in the country - the ancestry of its hounds goes back to 1740 - but smaller and more modest hunts like Shropshire's Ludlow would also suffer. Around the country 900 kennel jobs could go.

That may sound small beer to those who recall the number of miners and factory workers out of work. But add to those all the jobs that relate to the sale and welfare of horses and you begin to get a truer picture of the



Where the rural heart beats: anti-hunt Labour MPs may come to realise that they are hurting their own supporters

Photograph: Chris Watt

impact on rural life and job prospects. Approximately 800 horses hunt with the Beaufort during the season and must be shod every month. The smelly

who looks after the hunt's horses, Bernie Tidmarsh, estimates that more than half his work is related to the hunt. "During the season, I spend two days a week at the hunt kennels, and there's hardly a day goes by when we don't shoe a hunter," he says. "If hunting is banned, I shall lose half my business."

Many vets are also worried about the prospect of a ban. "I'd say 30-40 per cent of our work is hunt-related," says Mark Lucey, a frequent visitor to Adsets' yard. "We're a seven-man equine practice and we employ three girl grooms. If there's a ban, one or more of the assistants will have to go."

For Grant Barnes & Sons, saddlers of Malmesbury in Wiltshire, the hunting season is the busiest time of year. "I'd say about half our business comes from hunting," says one of the sons. If there is a ban the saddlers will undoubtedly see a decline in business, but they cannot say by how much: some people will keep their hunters for hacking and a few for drag-hunting. The league is a greater promoter of the latter, which involves a small number of hounds chasing an artificial trail. However, hunting people say that asking them to switch to drag-hunting is like suggesting to a salmon fisherman that he fish for toy fish with magnets.

Jim Rogers believes that most of the farmers who hunt in Shropshire will dispense with their horses if they can no longer hunt. "They're farmers, they're realistic. The horses would be surplus to requirements. They'll be shot. Bang! It's as simple as that."

Ian Giles, a Wiltshire horse dealer, fears that a ban on hunting would put him and his staff out of business. Of the 200 horses which pass through his stables each year, two-thirds are hunters.

"There's no doubt that the price of hounds will plummet," he says. "And it will affect every level, from racing down to the knacker's yard."

Contrast this with what happens in France and Germany where there is little hunting. One observer says: "They breed lovely horses, but if they don't make it as show-jumpers or eventers, they eat them. We'll have to do the same - or sell them to French butchers." But many livestock farmers in hunting country would face a serious problem when disposing of dead stock.

The Beaufort employs one person full-time to collect dead animals; the best of the meat is fed to the hounds and the rest is disposed of at the hunt's expense. The service is free of charge to farmers. The Ludlow Hunt provides a similar service, spending around £5,000 a year incinerating carcasses unfit for the hounds. If hunts can no longer provide this service, farmers will have to pay a knacker to collect dead stock. Many simply cannot afford any extra costs, and may resort to dubious methods of disposal.

On the day that Mr Foster announced his anti-hunting Bill, Dave Critchley, a league spokesman, claimed that only 830 people would lose their jobs. This is plainly nonsense - one of the exaggerated claims made by the anti-hunting lobby. Bill Andrews, chairman of the Campaign for Hunting, has come up with a figure which he believes he can "prove and defend". It amounts to around 14,000 people: 3,910 directly employed by hunts and some 10,000 in affiliated trades.

For these people, and for the rag-tag army of country sports supporters who are currently converging on London for a protest rally on Thursday, a ban would mean far more than lost jobs. "What townspeople don't realise," says

a huntsman's wife, "is that we don't have opera houses in the countryside, or cinemas, or theatres. The hunt is our entertainment, the centre of our social life." Pub skittle matches, point-to-point, pony clubs, these, she says, are the social cement of rural life, along with the strange business of chasing foxes. "If they ban hunting," she says wistfully, "I simply can't imagine what life would be like for us."

Much of the antipathy towards fox-hunting has less to do with the fox - which will probably be killed in greater numbers, more cruelly, if hunting is banned - than with a distaste for the pleasure which people derive from the chase. Several Labour MPs, including the Minister for Agriculture, Jack Cunningham, and Dale Campbell-Savours, have suggested that the foot pack which hunt in the hills and fells, and whose principal purpose is to eradicate foxes, should be allowed to continue hunting, while those hunts which appear to exist mainly for the pleasure of the hunters should not.

Cunningham and Campbell-Savours are not, as far as one can tell, killjoys by nature. However, both have fell packs in their constituencies, and it is presumably no coincidence that those who hunt the fells are almost exclusively working class, while those who follow the stink packs are generally thought of as upper class.

So far the principal mudslingers in the hunting debate have been the predominantly urban animal welfare lobby and the wealthier members of the hunting fraternity. Now the people, who really know what mud is - the rural workers - are entering the fray. It may only be a matter of time before many anti-hunt Labour MPs realise that the biggest losers of all, if a ban comes into force, will not be the fun-loving élite, but the very people whose Old Labour has always sought to defend.

A slanging match

Never mind the economy or standards in schools, the fate of the New Labour government, it's not civilisation itself, seems to hang by the brush of the hunted fox. Banning the viscous pleasures of the pink-coated squirmers and their rustic followers would expose Tony Blair's pretensions to lead a "one nation" party as a sham, opponents of a ban on hunting with hounds say.

The blood-sports lobby believes the 75 per cent of the public who favour a ban are soft-hearted townies ignorant of rural ways or class warriors intent on bashing the toffs. The Wild Mammals (Hunting with Dogs) Bill is portrayed as the thin end of a wedge ending with a ban on angling, enjoyed by 3.5 million people - even though the Bill's sponsor, Michael Foster, is himself an angler.

Upset the inherently cruel relationship between man and beast and all sorts of consequences could flow, *Country Life* warns. "What could be more unnatural, for example, than to neuter a cat?" it asks, implying that, too, could be banned.

More red kites could be poisoned, marchers heading for tomorrow's rally claimed. If foxes were not controlled by hunting, farmers would dose dead lambs with strichine. Yet hunts account for less than 10 per cent of the 180,000 foxes killed each year - the majority are shot.

Though hunting folk threaten a big slaughter of horses and hounds if a ban is imposed, the League Against Cruel Sports says that, across the country, 10,000 unsuitable pups and old hounds are already shot each year.

Setting dogs on domestic animals is a criminal offence carrying a £5,000 fine or six months' jail. The cruelty is the same in fox or stag hunting, the league says. Stephen Goodwin

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£50,000+	4.67	3.73
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Gross: the rate before the deduction of tax applied to interest on savings. Net: this is the annual rate of interest after the deduction of tax applied to interest on savings.

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Rural rhymes, or how to earn a beer

I was out for a bicycle ride in the country the other day, which is what I generally do when there is something more important to be done, and I stopped at a pub for refreshment, which is what I generally do when there is serious biking to be done. Of course, there is something rather odd about a bicyclist stopping at a pub at all. Bicycling has a puritan image, all green and ecological, and pubbers are all about getting fat and drunk and loud, so really cyclists should stop at health food shops and ask for bottles of spring water and bars of energy-giving wafer, but there I was, sitting outside this pub on a sunny day with a pint of lemonade shandy, and, I'm ashamed to say, a pork pie.

First of all, though, I had to clear my mouth of insects. This sunny weather, the air is full of flying animals, the very same little flying foodstuff that swallows come all the way from Egypt to live on, but we humans have not yet adapted to an insect diet, so when something flies into your mouth your instinct is not to swallow it but to spit it out as quickly as possible.

"At least it's just my mouth," I said. "Some days you get swarms of tiny black flies in your clothes."

While I was preparing my mouth to receive the first donation of lemonade shandy, I was startled to hear a very rural voice beside me.

"North, east, west, south, Never cycle with an open mouth."

I looked round. There was an old chap sitting at a table by himself with an empty glass. He smiled at me.

"Old country saying, that. When I was a lad, my father taught it to me. Said he had once known a chap who had been cycling along with his mouth open and a bee had flown in. Gave him a terrible sting on the palate. Couldn't speak for five days and could never say his Rs properly again after that."

"Is that really true?" I asked.

"Another of your dad's?"

"No. That was from my mum. After all, it was she bad to get my clothes clean."

"Were there lots of these cycling rhymes when you were a lad?" I asked.

"Thousands. More or less communicated in rhyme. I remember going on my first long ride. My dad said:

"Keep to the left and ring your bell."

He said the old man. He looked at me cheerfully.

"Another of your dad's?"

"No. That was from my mum. After all, it was she bad to get my clothes clean."

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He said the old man. He looked at me cheerfully.

"Another of your dad's?"

"No. That was from my mum. After all, it was she bad to get my clothes clean."

"Were there lots of these cycling rhymes when you were a lad?" I asked.

"Thousands. More or less communicated in rhyme. I remember going on my first long ride. My dad said:

"Keep to the left and ring your bell."

He said the old man. He looked at me cheerfully.

"Another of your dad's?"

the commentators

Across the Atlantic: grey power is the US secret weapon

It is a boom. And it is a boom that will carry on for a while yet – even if manufacturers are hurt by the strong pound, little matters like the billions in people's pockets from the Woolwich float this week will see that. Expect another rise in interest rates this week to try to persuade us to keep our cash in our bank accounts rather than spending it on foreign holidays.

Enjoy it, because however hard it is to remember this painful truth, all booms come to an end. But how long the boom continues will depend not on the decisions of Gordon Brown, nor even those of Eddie George. It will depend on our willingness to work.

If that sounds cryptic, consider America. The US boom is more advanced than ours. Not only did the growth phase start earlier, employment has grown much more rapidly: there are about 17 per cent more Americans in jobs now than there were 10 years ago, whereas here there are only about 6 per cent more people in work. Yet there is little inflation in the States, as anyone planning a holiday there this year will discover. This is partly a function of exchange rates: the present sterling exchange rate makes the US seem astonishingly cheap. But it is also a function of restrained growth in wages: the US has seen a boom in employment without seeing a boom in pay rates. As a result the boom has been able to continue for far longer without being choked off by higher inflation.

This is a story that has attracted far too little attention over here, where people tend to sneer at "McJobs" – the fact that some at least of the new jobs created in the States have been low-wage ones. But actually the ability of the US to generate jobs has profound implications for us. Not only is there the prize of unemployment running below 5 per cent – it is down to 4.8 per cent in the US – terrific though that would be. There is the arguably bigger prize of long-term sustainable growth, so that unemployment would remain pretty low for (who knows?) a generation or more.

In America two things seem to have happened. One is migration. The pool of labour seeking jobs has been boosted by migrants, of whom the largest single source has been Latin America. That is something special about the geographical location of the US, with that long permeable border with Mexico. Special, too, is its tradition of being a haven for immigrants. But it is not just that. Perhaps more relevant to the UK is the way the long boom has pulled back into employment people who would normally find it hard to get work: in particular the early retired, the under-qualified, and the discouraged – the people who had given up even looking for work because they felt there was no point.

As a result, though the number of people of normal working age in the US is growing by only



Hamish McRae

If we can entice more older workers back into jobs, we can carry on the expansion. And if we cannot, growth will be choked off

reporting difficulty in finding qualified labour, we have not experienced a general labour shortage. Indeed we still think in terms of unemployment as an endemic problem that will take years to solve. For some groups of people that may well be true. But in terms of the overall proportion of jobless, we are lagging behind the US by only about a year. Allow for the distortions in the way we count unemployment, and maybe the lag is a bit longer, but the direction is quite clear. So over the next year or so there is a tantalising opportunity: if we can entice more older workers back into jobs, we can carry on the expansion. And if we cannot, growth will be choked off.

There is a further bonus. The more that older people can be encouraged to take on some form of work, the more manageable the burden on the pension system, both private and public. Indeed the only way in which our ageing society can hope to increase the overall standard of living over the next generation will be to find imaginative ways of encouraging older people who want and are able to work to do so. That will require flexibility from employers. And it will require older workers accepting the idea of being "retro-fitted" with new skills. Meanwhile, John Glenn has to make his next space trip at the age of 75, and there is the computer bug to fix....

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We don't have capital-c Culture in this country. We have music, poetry, all that. But Culture is for foreigners, a bit lab-de-dah, a bit posh. In Britain when we use the word we tend to prefix it to make it sound domestic and unthreatening ("working class culture"; "television culture"). And increasingly, at a national level, we call it Heritage.

This is interesting because, in cultural terms, heritage is another word for death. Heritage is what dying cultures become just before they are interred. Heritage means museums of coal-mining and unoccupied country houses. It means Gaelic classes, Roman remains with neatly trimmed grass around them, Spitties on metal sticks and scores of tourist "experiences". Heritage is safe, innocuous, silent and cancelled. Heritage is what London would like Orange Order marches to become, and what Orangemen are strenuously resisting.

Yet we have a Department of National Heritage. You might as well call it the Department of Cultural Death. I don't mean it has done a particularly bad job of overseeing lottery bantams, sporting quangos or providing chaty types for the Today programme – though it has been a poor media regulator, on the whole. But I do mean that it hasn't exploited the full possibilities of a nation which has been a booming cultural success story.

British creativity, in architecture, fashion, music, poetry, film and even – despite the Goldsmiths College hype – visual art has been one of the constant, cheering threads running through the past decade. This goes well beyond the stuff about London being "the capital of cool" or the odd fashion show with dangling bones. Culture is big business and becoming bigger.

In a fast-trading global system, where added value means everything, success in culture and design brings rich rewards: jobs, investment and cachet. The software geniuses and the musical or clothing innovators who catch a mood are our equivalent of Victorian engineers and explorers. The rock music business by itself, for instance, is worth some £2.5bn to Britain each year. Though there are only 650,000 direct producers of culture – musicians, artists and so on – millions of people depend on their ideas and output for jobs.

Britain's cultural revival has happened without much incitement or help from government. Its essential rhetoric, its banging-on about youth and new beginnings, has been passionately anti-heritage. Had Blair not been well aware of the economic power, and the propaganda value, of cutting-edge culture, the decision over the Millennium Dome would certainly have gone the other way.

That, indeed, was an eloquent expression of Blair's political dilemma: most ministers were against it and so, ferociously, was The Sun, now Blair's favoured paper. Yet to have abandoned the Dome, and his friend Lord Rogers, would have made Blair's name mud



Not death for the arts, but a new beginning for creativity

Photograph: rock dancer 'Billboards', Edinburgh Festival Theatre; Alan Peebles

among many of the cool and cultured. And though that decision was a one-off, cultural policy, particularly since the Lottery is involved, represents a constant series of similar choices.

So how will Blair play this



Andrew Marr

most interesting and tricky area? We may be about to find out. Within the next 10 days or so, the Department of National Heritage will (hooray) disappear and a new Ministry of Culture (I hope) will instantly rise from its ashes. Whether Britain will find it has lost another battle.

Chris Smith, who was given

this most enjoyable and influential of cabinet jobs because of his popularity in the arts world, will follow up with some good and populist stuff about shifting lottery funds towards ed-

cational and health projects, and to more basic cultural needs, like the provision of musical instruments and teachers in schools that lack them.

But beyond that, there is a wide-ranging review of cultural policy itself. How directly involved should government be? What should its priorities be? Is the money well spent? All this is to be welcomed, and matters. The Government has certain values and instincts that ought to affect its attitude to the arts; and it isn't obvious that the current political arts establishment feels the same way.

Is it likely that Lord Gowrie, a Conservative Peer and high-brow consumer of London culture, the head of the Arts Council, is the man to operate an inclusive Labour policy towards the arts? No. Is it likely that the current regime in the Arts Council or Covent Garden feels as strongly as the new ministers about cheap opera seats? Again – despite their protestations – no.

So one of the questions being debated is the future, if any, for the Arts Council itself. This most important of quangos currently funds a string of big national institutions, including the National Theatre, Covent Garden, the English National Opera and the RSC. It audits and tries to set national cultural policies. It oversees regional

arts bodies. But shouldn't all these functions be carried out by the minister and his civil servants instead?

The department already directly oversees other institutions, such as the Tate Gallery. And it is hard to see the point of a culture minister if he doesn't direct and assess national cultural policy. These points have not been missed at the department. It is unlikely that the Arts Council will go in the near future, and Lord Gowrie's job is safe in the short term. But I think it will be severely pruned back and perhaps eventually elbowed out. Meanwhile, a proper Ministry of Culture, however named, has the chance to start a noisy revolution in the funding and support of Britain's cultural life.

The Sun would hate it with a passion. But cheer-leading and enthusing the new cultural industries, and their audiences, would earn Britain more money, change more lives and raise the quality of national life more than much conventional politics – hemmed in, as most departments are, by budget constraints and the limits of the possible. This is cheap leveraged politics. And if it destroyed the idea that this is a country held together not by culture, politics or values but by "heritage" – well, that would be the greatest achievement of all.

What price public service?

Rob Brown on the pay of the BBC's very own fat cats

The BBC and the Civil Service are ultimately about public service... Competition and market-testing are important, but they are not ends in themselves.

Question: which leftie said that? Answer: Douglas Hurd in a lecture delivered as Foreign Secretary at the University of Birmingham on 10 March, 1995.

If the broadcasting unions were really on the ball, they would be quoting those words from a leading Tory back at the top mandarins of the BBC, who are in the process of frenziedly seeking to justify obscene pay increases for themselves by citing the salaries of chief executives in commercial media companies.

The salary of John Birt, the director general, is being raised by 18 per cent to £554,000 in order, we are told, to bring his earnings closer in line with those of Michael Grade, who earned £464,000 as Channel 4's chief executive last year, and Greg Dyke, who received £400,000 as chief executive of Pearson Television.

Apparently, the BBC's top brass is in the same business as top executives in the commercial sector and should be similarly rewarded. As Birt himself puts it: "We've no choice but to be in the market if we want this institution to remain strong... The market moves and we have to move with it."

But the BBC is not a business. And it does not have to compete in the media marketplace as do commercial companies for a simple reason – 95 per cent of its £1.5bn annual programming budget is handed to it by the nation's licence-payers. It follows that John Birt is fundamentally not doing the same job as Michael Grade or Greg Dyke.

The principal reason the BBC survived almost two decades of New Right rule is that there was always

The BBC is not a business. John Birt is fundamentally not doing the same job as Michael Grade or Greg Dyke

ited him with defending the licence fee at a crucial juncture in 1992.

Birt acknowledged, when we spoke on Monday, that "we had many supporters in the Conservative Party... Very powerful forces in the last government argued for sustaining the BBC." We were speaking after Birt and the BBC's chairman, Sir Christopher Bland, had hosted a press conference to unveil the latest annual report and accounts.

Neither Hurd nor Mellor – now pursuing careers outside Parliament – in the past few days to vent their views on the BBC bosses' pay rise. But Hurd laid down a guiding principle in such matters when he warned against "undermining the whole concept of people making a

career out of service to the public". It may sound terribly naive in those still Thatcherite times, but many people who have worked for the BBC throughout its history have, at all levels, done so out of a strong sense of commitment to an institution that was not market-driven. Some felt it was a glorious privilege to work for the world's most respected public service broadcaster. And a few idealistic souls even felt they were doing something for their country.

That public service ethos has not evaporated entirely, but it is hardly bolstered by bosses who are crass and insensitive enough to serve a warning of further 20 per cent operational savings on the same day as they come clean about their own salaries going up by 20 per cent. And this is barely a week since the BBC's 22,000 staff accepted a 2.8 per cent wage rise. Yet the new Secretary of State for National Heritage, Chris Smith, is reported to be relaxed about the situation.

Maybe he's given up tackling fat cats, after his failure to get very far with them. His top executives when they created their very own lottery win in the form of whooping bonuses.

Smith has sought assurances from BBC management that "the commercial test isn't wagging the public service dog". Birt has no problem giving him such assurances. In his introduction to the BBC's annual report and accounts – submitted to Parliament yesterday – he writes: "Later this year, the BBC will celebrate its 75th birthday. As we enter the digital age, we are determined not to lose sight of the principles that have guided us over those 75 years."

Fine words, but there are many on Auntie's payroll who wonder how he possibly square such rhetoric with the latest evidence of creeping commercialism in the corporation.

The last journey of Che Guevara

The body of Che Guevara, which has now finally been discovered beneath the airstrip at the Bolivian town of Vallegrande, was buried by a Cuban-American agent of the CIA, Gustavo Viloldo, who was the head of the CIA's "country team" in Bolivia. According to the most recent biography of Guevara, by the Mexican political scientist Jorge Castañeda, Viloldo revealed that he had taken part in the burial.

"I buried Che Guevara," he told Castañeda. "He was not cremated; I would not have allowed it, and I was also opposed to any mutilation of his body."

General Alfredo Ovando, the Bolivian commander-in-chief at the time, had ordered that Guevara's head should be cut off for identification purposes. Bolivian officers on the spot objected, and in any case this proved inappropriate after an attempt had been made to make a death mask. This operation was so bungled that Guevara's skin and eyebrows were entirely removed, leaving nothing but raw flesh. His head, so beautiful in the photographs, would no longer have served its purpose as an identification.

I was there. I met Viloldo at the village of La Higuera, Monday 9 October, 1967. He was then operating under the pseudonym of "Eduardo González". Four hours after the Cuban guerrilla leader was executed, his cadaver was brought to Vallegrande by helicopter and Viloldo immediately took charge of the proceedings. He travelled in the back of a small Chevrolet van containing Guevara's corpse, and organised its deposition in the small laundry but of the local hospital. There two local doctors prepared it for embalming, and

it was on view to the small group of reporters who happened to be in Vallegrande.

The following day, Tuesday, the Bolivian government flew in a plane-load of reporters from La Paz, and the famous photograph that went round the world, later perceived to be reminiscent of Rembrandt's *Anatomical Lesson*, was taken.

That night the two doctors carried out

an autopsy on Guevara's body, confirming for the first time that a bullet had gone through his heart. When this news leaked out at the end of the week, it became clear that Guevara had been executed. He did not die of his wounds, as the Bolivian army had at first maintained.

The attempt to take a death mask having failed, the doctors were then ordered to cut off his hands. These were subsequently examined by a team of fingerprint experts from the Argentinean police who arrived at Vallegrande on Saturday 14 October, bearing Guevara's military service fingerprints. This bungled operation was so bungled that Guevara's skin and eyebrows were entirely removed, leaving nothing but raw flesh. His head, so beautiful in the photographs, would no longer have served its purpose as an identification.

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Eric doesn't get it!

SO POLITICS AND FOOTBALL DON'T MIX?

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BUSINESS & CITY EDITOR: JEREMY WARNER

Alsthom set for £4bn float in GEC shake-up

Michael Harrison

George Simpson, managing director of GEC, yesterday unveiled his long-awaited strategic overhaul of the group, signalling plans to float the power engineering joint venture GEC Alsthom and use its legendary cash pile to catapult Marconi up the world league of defence contractors through a series of takeovers and mergers.

The flotation of GEC Alsthom, co-owned with the French electronics giant Alcatel, would take the form of a demerger and would spell the end of GEC's strategy of expansion through joint ventures, pioneered by its former managing director, Lord Weinstock.

GEC Alsthom, which supplies power stations and rail rolling stock such as the Eurostar fleet of cross-Channel trains, is valued at around £4bn and was one of a series of joint ventures created in the 1980s as a means of making GEC hideous.

Under the new strategy, to be implemented over the next three to four years, GEC will be focused around three businesses spearheaded by defence electronics while large parts of its UK industrial division led by the semiconductor business, GPS, will be disposed of.

The other two legs to the group will be telecommunications, where GEC has a 60 per cent stake in the GPT joint venture with Siemens of Germany, and industrial electronics which includes the Picker medical imaging business, Gitarco fuel pumps and Videocet, an ink jet marking company.

Despite the scale of the "radical change" outlined by Mr Simpson, there was some disappointment in the announcement was not accompanied by news of an actual defence merger and GEC shares fell sharply to close 24.5p lower at 353p.

The strategic review follows sweeping changes in the way the group is managed and run and a clearout at board level which will be completed in the first quarter of next year with the appointment of a new chairman to succeed Lord Prior.

In defence electronics, the prize remains a merger between Marconi and Thomson CFS of France to create a grouping with sales of nearly £2bn capable of competing toe-to-toe with US behemoths Raytheon and Lockheed-Martin.

But Mr Simpson said another possible route forward was the much-rumoured domestic merger with British Aerospace. Other merger or takeover can-

didates include Siemens Defence and Finmeccanica of Italy, which owns Alenia Defence Electronics, although GEC stressed yesterday it was not in talks to take a controlling stake in the Italian group.

The expansion of Marconi to the point where defence electronics accounts for more than half annual revenues, which amount to £1bn, will be financed with GEC's £2bn cash pile but Mr Simpson said he would be quite prepared to take on borrowings to achieve his goals. Any surplus capital arising from the disposal programme would be returned to shareholders, he added.

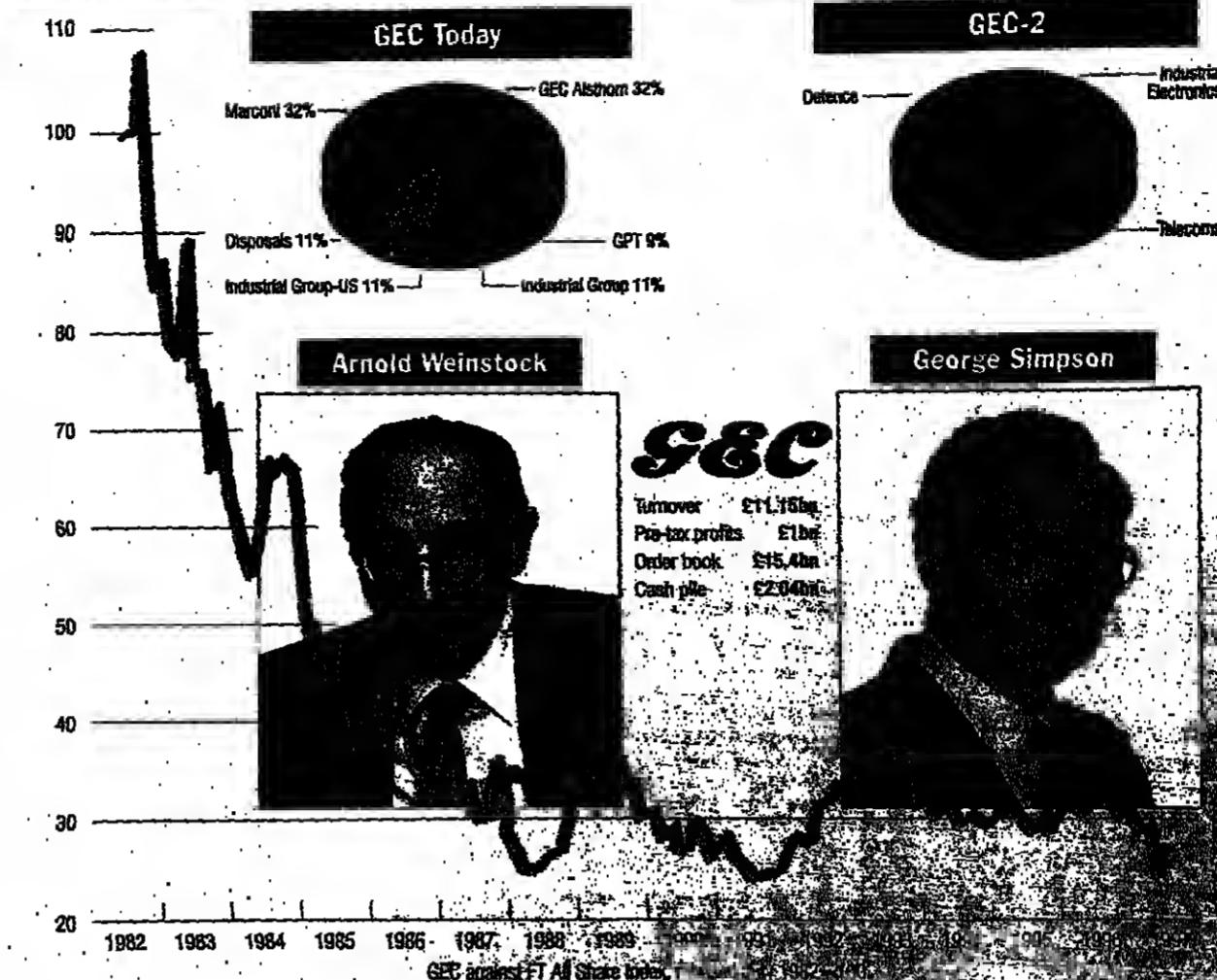
There had been speculation that GEC might unravel its joint telecoms venture, GPT, or reduce its controlling stake.

But Mr Simpson paid tribute to the double-digit margins the business was achieving and said GEC and Siemens had agreed to "reposition" the business.

Announcing his strategic review, the product of a nine-month assessment, Mr Simpson paid tribute to the "strong cost control culture" that his predecessor had inculcated in the business, and the strong balance sheet and solid platform he had inherited.

But he went on: "Despite the strength of this opening position

Weinstock's legacy and Simpson's blueprint for UK's premier electronics group



and the undoubtedly solidity of the platform, I believe that GEC has reached the stage in its development when it needs to transform itself through a process of radical change."

This, he added, was necessary to compete in increasingly tough markets, notably in defence and telecoms where consolidation was rapidly changing

the competitive environment, and secondly to create greater value for shareholders.

Mr Simpson made a pointed reference to GEC's balanced sheet being too strong in the eyes of some, noting that its shares had outperformed the market only four times in the past 15 years while earnings per share growth had lagged behind

the market average. It has also emerged that Lord Weinstock, who now holds the title of chairman emeritus, will not have any office space when GEC moves from its Stanhope Gate headquarters in Mayfair early next year to new premises just off Berkeley Square.

Analysts were split on Mr Simpson's announcement. One

said: "Sometimes it is better to travel than to arrive. GEC revealed more than I'd expected but others had obviously expected concrete deals and did not get them." Another said he was overwhelmed by the review, adding that the timescale for returning shareholder value was too long.

Comment, page 17

Murdoch looks for publisher partner

David Usborne
New York

Rupert Murdoch has signalled he is looking for a possible joint venture partner to take a share in his HarperCollins publishing subsidiary which is struggling to recover from recent losses.

The manoeuvre comes as rumours persist of a possible all-out sale of the publishing house that was formed in 1989 when Mr Murdoch merged the British company, William Collins & Sons, with US-based Harper & Row.

With much of the US publishing industry in the doldrums, HarperCollins reported a loss of \$7m (£5m) for the last fiscal quarter that ended on 31 March. Disappointed by the performance, some large shareholders in Mr Murdoch's News Corporation have been pressing for a quick sale of the publisher.

Mr Murdoch indicated that his interest in finding a partner for the business was principally to "cut out one set of overheads" by moving to merge some of the backroom operations such as warehousing and printing.

While he declined to name potential candidates, attention has focused quickly on Bantam Doubleday Dell Publishing, which is owned by Bertelsmann of Germany. Bantam is reported to have achieved a revenue flow last year of close to \$700m.

Bertelsmann, the third-largest media company in the world, has cash to spare and is known to be looking for acquisitions in the US. Other companies that could be in its sights include the giant McGraw-Hill as well as publishers Houghton Mifflin.

The tribulations at HarperCollins have recently been thrown into the spotlight by revelations of an abrupt idle-pruning spree by Anthea Disney, the president of the company since April last year.

Since March, the British-born Ms Disney has shaved some 100 titles from her list of books for publication.

Ms Disney, who has denied she is preparing the company for eventual sale, would make no specific comment on the tactics of Mr Murdoch. "We know that News Corporation has been approached about various strategic alliances," she said. "At the moment there is nothing specific on the table and nothing is in the offing."

Rate rise imminent as inflation overshoots target

Diane Coyle
Economics Editor

The pound jumped and share prices fell sharply yesterday after new figures showed that inflation climbed above the Government's 2.5 per cent target last month.

The Bank of England is firmly expected to raise interest rates tomorrow, with yesterday's disappointing retail price news rounding off a series of figures suggesting that the economy was expanding too fast to keep inflation on target.

"The Bank of England cannot be happy. The Monetary Policy Committee might just delay a move until August because of the strong pound, but

inflation is certainly not coming down as fast as it should have done," said Crispin Barr, an economist at Deutsche Morgan Grenfell.

Mortgage lenders would be likely to match any increase in base rates, with a 0.25 per cent rise adding £10 to the monthly payment on a typical £50,000 repayment mortgage.

The prospect of a third base rate increase in three months is being announced tomorrow, after the end of the committee's two-day meeting, took sterling three pence higher to DM2.97 yesterday.

It also broke through the 10 French francs barrier for the first time in more than five years.

The FTSE 100 index lost more than 52 points to end at 4,753.

Retail prices excluding mortgage interest payments rose by 0.3 per cent during June. This took inflation in the Government's target measure up from 2.5 per cent to 2.7 per cent.

The figures came as a shock as most economists had expected target inflation to decline.

A 5 per cent monthly rise in seasonal food prices during the month and a 0.7 per cent increase in petrol prices explained the overall rise. Vegetable prices normally decline in June, but wet weather across Europe had instead led to higher prices, especially for items like cauliflower and tomatoes.

It reported that new export

mortgage rates increases applied during June took the headline inflation rate even higher. It climbed from 2.6 per cent in May to 2.9 per cent last month.

Although City economists are almost unanimous in predicting that the Bank of England will increase borrowing costs, they disagree about whether it ought to do so. Some fear that the strong pound will prove very damaging to exports and industry.

There was a warning signal of this yesterday in the latest quarterly survey of business – carried out just before the Budget – from the Engineering Employers Federation. It reported that new export

orders were down for the second quarter running, home orders had weakened, output growth had slowed sharply and hiring of staff had come to a standstill.

Alan Armitage, head of economics for the EEF, said: "Prospects for the remainder of the year will depend crucially on the level of sterling."

He warned that not only was the strong pound hitting exports directly, it was also feeding through to lower orders for suppliers.

Simon Briscoe at Nisko Europe said there was little sign of inflationary danger in yesterday's retail price figures. "Unless you believe that consumers are spending their build-

ing society handouts on fruit and veg, there is little sign of windfall-led inflation," he said. He pointed out that inflation in key consumer areas – goods and services, and clothing and footwear – actually declined last month.

But Michael Dicks at Lehman Brothers said: "These were worrying figures even if the strong pound hitting exports directly, it was also feeding through to lower orders for suppliers."

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Most economists expect the target measure of inflation to drift higher in coming months.

The Bank's Monetary Policy Committee, set up by Gordon Brown, Chancellor of the Exchequer, to make the month-to-month interest rate decisions that will deliver the Government's inflation target, will meet this afternoon and tomorrow morning. An announcement of its decision is expected before midday tomorrow.

Comment, page 17

Chief executive quits Newcastle

Andrew Yates

Mark Corbridge, the joint chief executive of Newcastle United, has left the football club after just eight months and only three months after it floated on the stock market.

"We didn't fire him. He did a good job but it became apparent in the last few months that having two chief executives was not working. It was an arrangement put in place before I arrived," said Sir Terence Harrison yesterday. Newcastle's non-executive chairman and the former chief executive of Rolls-Royce.

Mr Corbridge will receive a pay-off of £400,000. He had almost three years of his contract to run under which he was entitled to an annual salary of £160,000 and guaranteed bonus of £80,000. Mr Corbridge received a bonus of £200,000 to float the company from Cameron Hall, the investment company that owned Newcastle and which is run by Sir John Hall, the property entrepreneur.

whose son still owns a majority stake in the club.

Mr Corbridge joined the group from Newcastle's brokers, NatWest. His fellow joint chief executive, Freddie Fletcher, will take over his job. "Mr Corbridge helped us float the club and was City oriented. Mr Fletcher had a general management role and looked after the soccer business. It was best for all concerned that Mr Corbridge left," said Sir Terence Harrison. Newcastle is likely to appoint a new executive director with financial experience to the board to replace Mr Corbridge within the next few months.

Newcastle's decision came as no surprise to analysts. Newcastle's corporate governance at flotation was seen to be well below expected levels. The board structure always looked unsatisfactory," said Nigel Hawkins, football analyst at Yamaichi. Another analyst said yesterday: "This decision will not upset too many people. Corbridge didn't go down too well with institutions and analysts."

Triplex Lloyd chief quits over failed bid for Cook

Sameena Ahmad

Triplex Lloyd, the engineering group, has parted company with Graham Lockyer, its chief executive of just three years who orchestrated Triplex's failed and bruising takeover battle for William Cook.

Analysts said that his departure reflected Mr Lockyer's failure to secure the £73m acquisition, which would have turned Triplex into the UK's biggest metals castings group and increased the group's earnings by 50 per cent.

Speaking at the group's full year results to March, Colin Cooke, chairman of Triplex said that the bid had cost the group £2.1m.

Triplex threw in the towel in February when Andrew Cook, chairman of Williams, trumped Triplex's offer with an £80m management buy out.

Though Mr Cooke maintained that Mr Lockyer's departure "had nothing to do with

these decisions. It's probably a fair decision to let him go."

Triplex's finance director Bob Mitchell is assuming the chief executive's role until a replacement is found.

Mr Cooke said that the group would not be making any more hostile bids, though with low gearing the company had around £21m to spend on bolt-on acquisitions.

"I do regret this bid. The cost was heavy. It was going to give him a better job. He also simply failed to nail Williams. Buying that company would have transformed Triplex."

Analysts pointed out that Triplex's chairman had a reputation for toughness. John Foley, chief executive prior to Mr Lockyer, departed three years ago over a poor profits record.

One analyst said: "Colin has a bit of a reputation as a hatchet man. Graham was a lovely person and well liked, but he wasn't the ideal one to lead on

the group. Yesterday, he would not do bid again."

Lynch said: "It is not many engineering companies which have just reported a 20 per cent rise in earnings and have no debt which are at half the value of the market."

Though the bid has depressed Triplex's share price, which fell 1p to 154p yesterday, analysts were generally impressed with the group's full year results and said the group had come out of the market.

"But this is not a warning. We will continue to buck the trend in the engineering sector. Our growth has been very strong."

Paul Compton of Merrill Lynch said: "It is not many engineering companies which have just reported a 20 per cent rise in earnings and have no debt which are at half the value of the market."

Mr Cooke said that the strength of sterling and increased costs of pensions post the Budget would cost around £1m and would slow the rate of profits growth over the next year.

"But this is not a warning. We will continue to buck the trend in the engineering sector. Our growth has been very strong."

Dalgety chief 'is living on borrowed time'

Andrew Yates

Institutional investors in Dalgety yesterday warned the company's chief executive, Richard Clothier, was living on borrowed time after it issued its second profits warning in two months.

Investors in the troubled pet food fertilisers group took fright at the latest warning, driving the share price down by almost 15 per cent to 225.5p, which wiped more than £113m off its stock market value.

Some institutional investors expressed anger at yesterday's trading statement. One, who declined to be named, said: "Just when we thought it could not get worse it has. He [Clothier] is living on borrowed time."

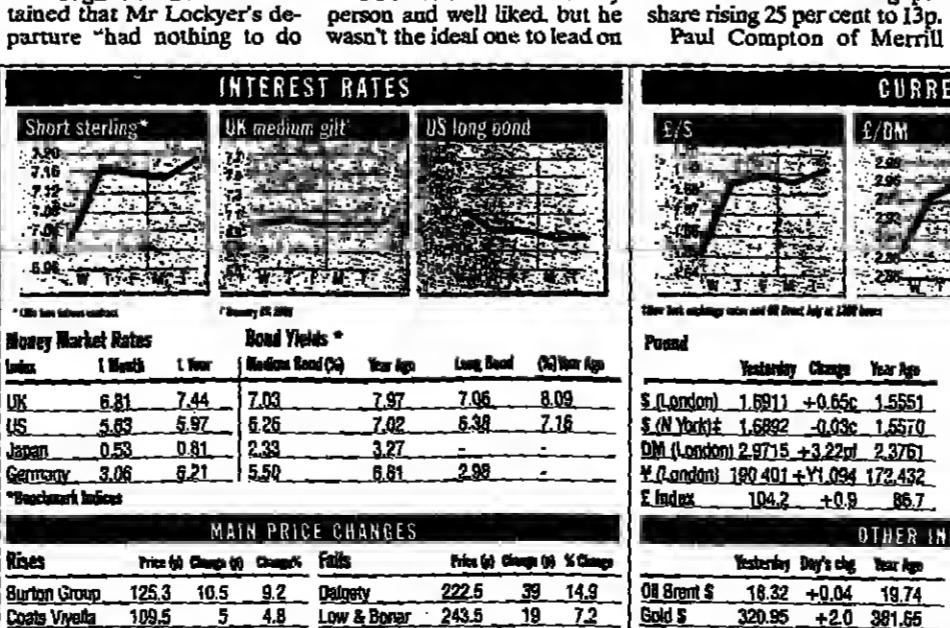
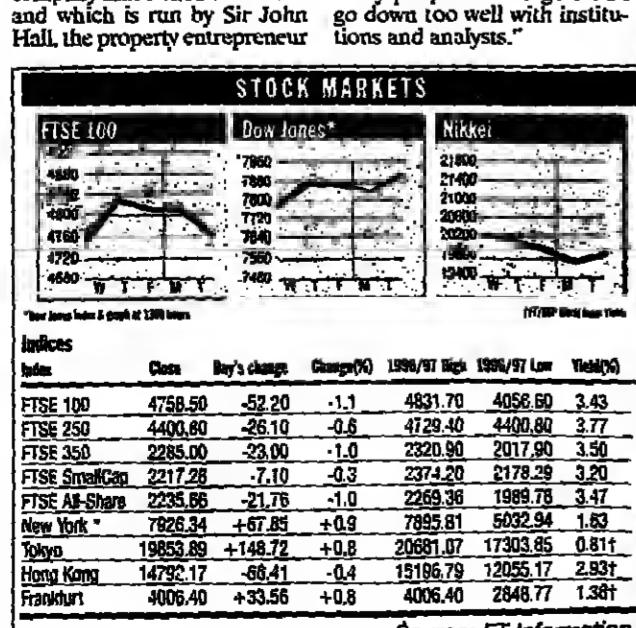
Mr Clothier, however, ignored the threats and said he had no plans to resign. "I see eye-to-eye with the new chairman, Sir Denis Henderson, and the finance director. We have agreed about our approach and now we have got to get on and do it. I am determined to stay and deliver results."

Dalgety is considering selling one or more of its five divisions as part of an urgent strategic review. "I do not rule out selling one or two of our main businesses," said Mr Clothier.

Two of its divisions will undergo emergency surgery. According to industry sources, Dalgety has plans to make up to 700 people redundant at its ailing pet food business, about a fifth of its workforce. Jobs will also be lost at its fertiliser and animal feed business.

Analysts believe the price fall will leave the group vulnerable to a takeover bid by a predator which would break up the group. "Dalgety's creditability has been hit by the wet weather in June, which reduced demand for fertilisers."

After inspecting the books Dalgety's new finance director, Ken Hanna, has decided to provide £25m to cover a write-down in the value of some of Dalgety's assets and a clutch of businesses that are already up for sale.



Murdoch looks for publisher partner

David Osborne



COMMENT

'As a direct result of Gordon Brown's Budget measures, we are now faced with the prospect of one of the most unfair corporate taxation systems anywhere in Europe'

Why Brown needs to rethink corporation tax

Britain now has the lowest rate of corporation tax of any of our main competitors, and, at just 31 per cent, the lowest rate in the UK. Gordon Brown proudly announced in his Budget speech. That was quite a boast for a Labour Chancellor to be able to make, and he did so in the context of a Budget which stressed the importance of "fairness" in taxation policy, of equipping the country for the future with "a modern taxation system based on principle".

Noble thoughts indeed. Unfortunately – and for some reason the Chancellor didn't mention this – they don't quite accord with the reality. As a direct result of his Budget measures, we are now faced with the prospect of one of the most unfair corporate taxation systems anywhere in Europe, one held together with bits of string and Sellotape, and one which in parts is as discriminatory that it might even fall foul of European law.

What's caused the problem is those wretched things, tax credits on dividends. By abolishing the credits but at the same time leaving the old connected system of advance corporation tax (ACT) in place, the Chancellor has created a whole raft of new anomalies in the tax system. Lasmo, the oil and gas company, has become the latest in a long line to write to the Chancellor warning of dire consequences if he doesn't do something to correct the position before it comes fully into force two years hence. In terms that admittedly seem just a little alarmist, Joe Darby, the chief executive, says the very independence of Lasmo and many other successful interna-

tional British companies are put at risk by the proposals.

Actually this doesn't seem very likely in Lasmo's case, since the net effect of the measures would be to increase its tax bill by only £2.2m a year. Some of the other predicted consequences, such as a mass exodus of companies to overseas domiciles, also seem exaggerated. The point is reasonably made all the same. British companies which don't earn much in the way of profits in the UK stand to get tax twice, once on their earnings overseas, and a second time by way of advance corporation tax on dividends paid in the UK.

This is actually the situation that used to pertain before 1993, when Norman Lamont introduced his Foreign Income Dividends (Fids) scheme allowing companies that pay their dividends out of overseas earnings to reclaim the ACT. Now we are about to return to the bad old days.

It would be tempting to view this as just a soon-to-be-corrected oversight by the Treasury, as some executives do. Already the Government has made clear that the mirror system protecting overseas companies operating in Britain from ACT will be unaffected. Just as well, that otherwise most of the City might have uprooted and moved to Frankfurt. But are we really now to have foreign companies better treated than British ones?

The truth of the matter is that the Chancellor has got his knickers in an awful twist over this. The reason is not hard to fathom: it is the usual one of revenue raising, for the abolition of Fids could be worth anything up to £500m a year to the Treasury. To dislodge himself will therefore cost him dear. In the interests of fairness, however, he needs to address it. He's in danger of introducing an excessively complex, random and discriminatory system of corporation tax. It hardly accords with all those fine words.

It looks like Year Zero for GEC

Quite what Lord Weinstock makes of GEC

Mark 2 was caused to keep under wraps yesterday but, like all dogeza paid from their estates, it's a safe bet that he is less than overwhelmed by what the young (ish) pretender George Simpson proposes to do with his inheritance. Not content with tearing up the Weinstock lines of management reporting and clearing out his boardroom cronies, the new managing director of GEC is unpicking the very foundations on which the group has been built. Good God, he is even threatening to give cash back to shareholders, unless a better purpose is found for the company's famous cash pile.

These are the actions of any new recruit drafted in to manage the business on behalf of shareholders and destroy all vestiges of the old feudal kingdom. The sense that this is Year Zero for GEC is best symbolised by the departure from Stanhope Gate, in headquarters from the very earliest Weinstock days in favour of new premises in another corner of Mayfair, where, incidentally, there will be no billet for GEC's chairman emeritus.

In GEC, Mr Simpson has inherited one of a small number of British companies which can realistically claim to be world class. But its track record demonstrates painfully that joint venturing is not the way to maximise shareholder return. GPT, the telecoms joint venture with Siemens, and GEC-Alstom in power engineering, were created to protect GEC from takeover and compensate for its lack of world-beating technologies in gas turbines and telecoms. (Who remembers System X?) Not surprisingly, they have proved lousy at maximising shareholder returns.

So, provided Mr Simpson can persuade the French to his way of thinking, GEC Alstom will be hived off. GPT "repositioned" and the defence business Marconi turned via acquisition into a fighting force to take on the Yankees. Talking strategy is the easy bit. Delivering is the hard part. Most interesting will be to see how Mr Simpson fares with Marconi. He would love to marry it to Thomson CSF of France, or an American defence electronics company. Unfortunately French political chauvinism and Pentagon black programmes bar his way. What about GEC's old flame of British Aerospace? Here again Labour's dislike of mergers may block his path. As his predecessor could not doubt tell him, at GEC there are no quick fixes.

Hoerner faces a tough task at Burton

Another retail conglomerate is biting the dust. Storehouse is a slimmed down

shadow of its bloated 1980s self. Sears is all set for break-up. Now Burton is going the same way. A genuine strategy for building shareholder value? Or just another manoeuvre to distract attention from the group's underlying weaknesses?

In Burton's case, there was never much logic to Sir Ralph Halpern's lumbering creation. The similarity between department stores and high street fashion chains are few and far between, as Sears has found. The problem with Burton has been that one of its two divisions always seems to have dragged the Debenhams deal in 1985, it was Debenhams itself that was crumbling. Now it is the other way round.

John Hoerner may, as a consequence, be doing the right thing here. Analysis are penning in a value of 100p per share for a standalone Debenhams and 50p for the multiples, which is quite a premium to yesterday's close of 125.5p. Some number-crunchers are even talking about the two businesses being worth a combined £2.3bn. against £1.8bn now.

Maybe. Certainly it is a relief that Mr Hoerner is taking on the more difficult of the two management tasks, the multiples. For all the talk of fancy valuations, the amiable Nebraskan will have to work a special kind of magic on a group of chain stores that that combine poor margins, relatively weak brands and high costs. Cutting the latter may be easy. Building the other will be a good deal tougher.

Debenhams to be spun off as Burton regroups

Nigel Cope
City Correspondent

Burton Group is to become the latest conglomerate to take the demerger route by spinning off its Debenhams department store business into a separately quoted company. Burton said the demerger would create shareholder value, reduce costs and allow management to devote more attention to the multiples businesses which include Burton Menswear, Dorothy Perkins, Evans, Top Shop and Principles. The demerger will take place next March subject to shareholder approval.

The multiples businesses will be grouped together in a new company under a new name which has yet to be decided. It will be led by John Hoerner, the group chief executive. Debenhams will be run by Terry Green, its current chief executive.

The demerger will mean the disappearance of the Burton name as a corporate entity nearly 100 years after Montague Burton set up his first men's tailoring shop in Chesterfield in 1900. It also sees the break-up of the group developed in a headlong dash for growth in the 1980s by Sir Ralph Halpern, the "five times a night" chairman, whose personal life became the stuff of tabloid newspapers.

Mr Hoerner yesterday denied that the company was simply following the demerger fad which has seen companies like Thorn-EMI, Hanson and Sears, take similar action.

"We looked at a demerger in 1994 but decided that the multiples business was not sufficiently well developed. Since then, the profits have improved by £80m, the debts are down



John Hoerner: Will not mourn the end of Burton

and this seemed like the next logical step."

He added: "In our view the company was undervalued. It just seemed like the right time to do it. The way we look at it the market doesn't fairly rate the Burton group as it is."

Though Burton shares have recovered since Mr Hoerner took over as chief executive in 1992, they have been trading

close to their 12-month low in recent weeks. Yesterday the shares jumped 10.5p to 125.5p.

City analysts were divided on the merits of the move. Nick Bubb, of Société Générale, Strauss Turnbull said: "It's very good news. The central issue with Burton has been that the value and growth of Debenhams has been rather buried inside the group."

He said a separately quoted Debenhams could be worth around 80p per share while the multiples business could be worth around 50p. However, John Richards at NatWest Securities questioned whether a demerger was really necessary to cut costs and develop a more flexible management structure.

The demerger is likely to mean job cuts and a significant reduction in Burton's £1bn cost base. Around 3,000 of the group's 43,000 employees work at the head office. One early departure is Stuart Rose, the chief executive of the Burton Menswear, Dorothy Perkins and Evans subsidiaries.

Burton through the years

1900: Montague Burton, a Lithuanian immigrant, sets up his first shop in Chesterfield.	300	share price, pence
• 1940s: there are 600 Burton shops styled as "the tailor of taste".	250	
• 1952: Montague Burton dies.	200	
• 1961: Ralph Halpern, 23, joins Burton in Leeds.	150	
• 1978: Ralph Halpern becomes chief executive.	150	
• 1986: Wins £570m battle for Debenhams.	100	

The company declined to specify the number of redundancies, the level of cost savings or the likely costs of the demerger. "We are only at the beginning of this process," Mr Hoerner said.

The financial details of the demerger have yet to be decided. However, it is expected that existing shareholders will be given one share in each of the two companies. Currently, there are 92 branches of Debenhams and 25 concessions.

These recorded a profit of £103m on sales of £98m last year. There are 1,369 multiples and 117 concessions. These recorded a profit of £59m on sales of £1bn.

Mr Hoerner, who will maintain his £1m a year salary in his new position, said the portfolio of the Multiples would be re-jigged. "The new structure means that if I want to open 50 more branches of Racing Green by taking 10 from Dorothy Perkins and so on, then I can."

He said he would not mourn the passing of Burton as a corporate entity. "Absolutely not. As far as I'm concerned, the Burton group is not something I have a great deal of affection for."

Ever so, the decision to demerger the company marks the end of yet another retail conglomerate, with Sears set to demerger its Selfridges next year. It also marks the end of the grand creation of Sir Ralph Halpern, whose reign as chief executive in the 1980s came to symbolise the entrepreneurial glamour of the Thatcherite era.

Sir Ralph was a former Selfridges trainee whose parents lost their fortune when they fled Austria to escape the Nazi regime. Under his tenure, Burton expanded rapidly to in-

clude not just Burton Menswear and Top Shop but Dorothy Perkins, Principles and, in his biggest deal, Debenhams in 1985.

Conducted in controversial circumstances, Sir Ralph sealed the £570m deal by securing the backing of Gerald Ronson whose Henro group held a major stake. Through the Debenhams acquisition, Burton even owned Harvey Nichols.

While the company grew, Sir Ralph led the life of the executive playboy, with a £1m a year salary, fast cars and orgo sessions (he had a Yamaha synthesiser in the basement). His name became legend when he was linked with the young model Fioora Wright and the "five times a night" headline was born.



An Eighties legend: Sir Ralph Halpern (second from left) who kept Burton in the headlines with its rapid growth and his playboy lifestyle

Photograph: Dave Bennett/Alpha

Woolwich members lose out in first share auction

Tom Stevenson
Financial Editor

Former Woolwich members who opted to cash in their windfall shares immediately look certain to raise much less than if they had asked for a share certificate and sold in the market on Monday.

The first auction that will determine how much they receive for their shares produced a disappointing average price on Monday night.

The first auction of unwanted Woolwich shares to pension funds and other institutional investors resulted in a lower-than-expected average price of 315.35p, well below the 373.5p

the shares reached in first dealings.

The actual price immediate sellers will receive will be the average of Monday night's price and those achieved in three further sales this week.

The announcement of the price set Woolwich shares sharply lower, dragging the rest of the previously high-flying banking sector down as well. Having fallen from their early high to Monday's close of 334p, the shares tumbled again yesterday to close at 301p.

Abbey National shares fell from 876.5p to 845.5p, while Halifax tumbled from 881p to 843.5p. Recent flotations fared better with Alliance & Leicester

from 876.5p to 845.5p, while Halifax tumbled from 881p to 843.5p. Recent flotations fared better with Alliance & Leicester

German jobless rate rises

Imre Karacs

Unemployment in Germany rose again slightly in June, dashing hopes of a long-awaited improvement in summer. Figures released by the Federal Labour Office showed a rise of 11,000 to a seasonally adjusted 4.47 million, or 11.4 per cent of the working population. Disappointed officials sought solace in the finding that all the jobs were lost in the former East Germany. In the west, seasonally adjusted unemployment fell by 1,000 to 3,041 million.

"We are seeing signs of stability particularly in West Germany," said the Labour Office. "Economic improvement is progressing, but there is still no turnaround in the jobs market."

The disastrous state of the construction sector was blamed for the disappearance of jobs in the east. Tax changes at the beginning of the year have hit the building industry hard, and the slowdown in post-unification projects has cost a large number of jobs. Cuts in the budget of make-work schemes have brought some previously hidden unemployed into the statistics.

Officials expect the labour market to stagnate through the summer and hope for an improvement in September.

OECD lukewarm on job policies

Diane Coyle
Economics Editor

The Organisation for Economic Co-operation and Development gave a lukewarm assessment of the Government's job policies yesterday.

In its annual Employment Outlook it backed the UK's new emphasis on improving education and skills. But the organisation, a fan of the jobs market deregulation, singled out the flexibility of the UK's labour market for praise.

top-up benefits for the low paid, both of which the Labour government plans to introduce, would improve work incentives and relieve poverty.

The Budget is unlikely to do much to reduce unemployment, according to a separate report published by the Council of Churches yesterday. It concluded that providing good quality work for all who wanted it would require a much bigger increase in public spending than the schemes financed by the windfall tax.

Officials expect the labour market to stagnate through the summer and hope for an improvement in September.

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market report / shares

Data Bank			
FTSE 100	4758.5	-52.2	
FTSE 250	4400.8	-26.4	
FTSE 350	2285.0	-23.0	
SEAO Volume	885.3m shares		
	52,239 bargains		
Gifts Index	97.18	-0.10	
Share spotlight			
Royal Bank of Scotland	560	550	540
570	560	550	540
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Regional brewers replenish profits

THE INVESTMENT COLUMN

EDITED BY SAMEENA AHMAD

The performance of regional brewers over the past five years must have left shareholders crying into their pints. The four largest regional brewers, Marston Thompson and Evershed, Wolverhampton and Dudley, Greene King and Vaux, have all underperformed the stock market by a least a third.

The reasons are easy to understand. Brewing has become consolidated in fewer and fewer hands. A series of takeovers and mergers has left the four biggest brewers controlling more than 80 per cent of the market. But the beer market is in decline. The larger players have responded by cutting prices, squeezing the regionals in the process.

If that was not bad enough, demand for cask ale, the staple fare of the local brewer, has fallen sharply in recent years. Cask ale volumes slumped 12 per cent last year. They are being replaced by new, smooth, creamy nitro-keg beers.

But this market is already dominated by leading brands such as Caffrey's and John Smith's. The regional brands have tried to compete by introducing their own brands, but their efforts have met with mixed results.

While the market has focused on flat beer profits, the real engine for growth will come from the brewers' burgeoning pub estates. Admittedly, the regionals were slow to tap into the explosive growth of the so-called theme pubs which are replacing the traditional British boozer. But they are fast catching up with the main brewers. Greene King, which recently bought the Magic Pub chain, and Marston's, the new owner of the Pitcher and Piano outlets, are rolling out new brands with a passion. Others are following suit. The regional brewers are also pumping more cash into their long-neglected tenanted pub estates.

This pub investment is typically yielding returns of over 20 per cent. And the demand for new venues shows no signs of slowing. A strong economy and the growing trend for punters to eat pub grub while sipping a pint should continue to bolster regional brewers' earnings.

Marston's is a case in point. Managing director David Gordon admits he paid a hefty price for the Pitcher and Piano chain last year, but the aim was to acquire a pub concept that could be rolled out across the country. Profits rose 8 per cent to £29.5m for the year to March and Pannure Gordon forecasts the expansion of the Pitcher and Piano brand should push current-year profits up to £34m, putting the shares on 10 times earnings.

Some of the bitchy brewers with poor pub estates, such as Gibbs Mew, which

recently announced disappointing results, will probably continue to struggle. But most of the larger regionals typically trade at a discount of at least 25 per cent to the market. They deserve a re-rating.

Bespak is looking to the future

Peter Chambre, chief executive of Bespak, isn't wasting any time. Since joining the asthma inhaler and valve manufacturer in 1994, Mr Chambre has snapped up some nasty messes left by the old management, notably a potentially crippling contract with ML Laboratories, and has brought Tenax, the ill-judged US components acquisition, back to profit.

Satisfied that recovery is on track, Mr Chambre is now looking forward. Accompanying its full year results, the group announced a substantial investment programme over the next three years to boost its manufacturing capacity, prepare for the required change to ozone-friendly inhalers by

Marston Thompson and Evershed: At a glance

Market value: £250m, share price 27.5p (+7)

Trading record	1993	1994	1995	1996	1997
Revenue (£m)	19.5	19.5	19.5	19.5	19.5
Pre-tax profits (£m)	20.1	23.3	24.6	27.3	29.5
EPS (p)	5.40	5.96	6.56	7.30	8.03

Share of UK market

production share, %

Major regional brewers 4.8

Greene King 0.7

Wadworth 1.5

Guinness 4.7

Carlsberg-Bell 15.7

Scottish & Newcastle 21.7

Bass 21.7

Others 9.8

Total 100

Source: WCO

Share price and the market

rebased, July 1992=100

200

180

160

140

120

100

80

60

40

20

0

FTSE All Share Index

Marston Thompson

Greene King

Bass

Carlsberg-Bell

Scottish & Newcastle

Wadworth

Guinness

Others

Total

100

120

140

160

180

200

220

240

260

280

300

320

340

360

380

400

420

440

460

480

500

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Dettori so persuasive on Shantou

Racing

JOHN COBB

Kieren Fallon may not have been able to untangle Bosra Sham in time to win Saturday's Eclipse Stakes but he did manage one near-impossible trick yesterday, when his sacking from the filly overshadowed a treble from Frankie Dettori which included one of the slickest pieces of riding we are likely to see all year.

Dettori managed to persuade Shantou, one of the most difficult rides in racing, to stick his neck out again when Swain attacked with a powerful surge in the Princess Of Wales's Stakes.

Dettori was released by Godolphin, who flew in Mick Kinane to ride Swain, the

favourite, because he has struck up such a successful partnership with Shantou, last year's St Leger winner.

Great jockeys like Pat Eddery and Mick Kinane have found him trouble some to ride. I don't know why he [Dettori] gets on so well with him. He never rides him at home," John Gosden, the winning trainer, said.

A Group One winner in Italy already this season, Shantou turned the tables on Swain, who had finished a place ahead of him in the Breeders' Cup, to beat his rival by a head. "There are races in Germany and Italy for him and there is the Irish St Leger. The programme here doesn't suit him."

Asturaf followed up her Royal Ascot victory with success

in the Cherry Hinton Stakes, defeating Craze Mental by a length and will now be aimed at either the Princess Margaret Stakes at Ascot or the Heinz 57 Stakes in Ireland.

"She is very progressive, very athletic, very mature for her age and, more importantly, she has a lot of class. We are very pleased with her," Simon Crisford, Godolphin's racing manager, said.

The last two runnings of the Strut & Parker Maiden Stakes has given us Babbare, Albaire and Mark Of Esteem. But with two divisions of the race yesterday it was the John Dunlop-trained debutant Haamni who impressed bookmakers most.

The son of Nashwan earned quotes ranging from 12-1 to 25-1 for next year's 2,000 Guineas

RICHARD EDMONDSON
NAP: Northern Fleet
(Newmarket 5.20)
NB: Rebecca Sharp
(Newmarket 3.40)

the team's chief contender, seems an unlikely target.

Shantou starred in a 123-1 treble for Dettori, also successful on Asuraf and Noisette, who completed a double for Gosden.

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following his two lengths victory over Opera King.

Betting on a more imminent

Classic opened yesterday with Paddy Power quoting the Henrhyd Cecil-trained Fallon-riden Yashmak as 5-4 favourite for Sunday's Irish Oaks at the Curragh. Yashmak runs instead of her stable companion, the Oaks winner Reams Of Verse.

After weighing up the options for owner Khalid Abdullah's two star middle-distance fillies, Cecil decided not to fork out £125,000 to add the Epsom victor.

"Reams Of Verse has done very well but she has got races like the Yorkshire Oaks to go for later on and she would have to be supplemented for £125,000," the trainer explained.

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sport

Stewart family exceed expectations

Derick Allsop on the father and son team with a new target for Sunday's British Grand Prix at Silverstone

Anyone seeking the premises of Stewart & Son this weekend should simply follow the call of the pipes. Here is a family concern prepared to make a noise about trading in motor racing's high street.

The arrival of Jackie and Paul Stewart in Formula One as co-team bosses was never likely to be a quiet affair, their partnership with Ford representing a high profile alliance guaranteed the investment to match their ambition.

Stewart Sir, three times world champion, is renowned for his acumen in the market place as well as his ability in a racing car and now, competing with the Grand Prix magnates, he is advocating more pleasure with business.

Midway into the team's first season, Stewart's suspicions about the harshness of the Formula One environment have been confirmed. Hence his desire to sound a welcome at Sunday's British Grand Prix as symbolic as their tartan trews.

"It may be no big deal for the people privileged to be within Formula One," Stewart said, "but for those coming in from outside it is a big deal and there shouldn't be a cloud over it. It should be one hell of an experience and it can be."

"I'd like a little more light-heartedness and softness about the place. We are not the men to front that at this stage, because we are a new team, but we may have a piper at Silverstone, just to soften the thing. That needs to be encouraged."

The "softer" side of the Stewarts was evident when one of their cars, driven by the Brazilian, Rubens Barrichello, finished second only to Michael Schumacher at the Monaco Grand Prix, two months ago.

"The emotion of Monaco was intense for us," Stewart said. "I've never felt anything like that as a racing driver. We do get emotional and don't mind admitting it. We don't mind having a laugh and we don't mind having a cry."

He expanded on the differences between driving and running a team. "Everything I've ever done as a racing driver was insular, very self-centred. Be-



Jackie Stewart and his son, Paul, celebrate their team's second place at the Monaco Grand Prix in Monte Carlo

Photograph: Mike Cooper/Alsport

cause you go out there and get tremendous satisfaction from driving, even if the car lets you down, or you let the car down. You still come out with satisfaction knowing you've performed, even if you've not finished."

"For the people in the pit, the design staff, the people who put the finance together, the people who manufacture the car and everybody else in the team, suddenly their car hasn't finished. The constructor or entrant shares their feelings, which are very different from a driver's."

His son had a career as a driver but pulled up short of Formula One, instead embroiling himself in the development of Paul Stewart Racing, a highly successful team in the junior formulae. Graduation to Formula One, with Jackie luring partners and sponsors, from Ford to the Malaysian govern-

ment, and Paul responsible for personnel and organisation, was the logical course.

Paul: "The decision to stop racing was a lot easier than people think and I have no regrets. I was honest about myself and my driving ability and based my decision on that."

Jackie: "We were on a shut-

"It's turned out to be a very good decision for Paul, as it has for me. I wouldn't have done it if I hadn't had a son in it, and I couldn't have done it on my own."

Paul: "It was different in our case because my father understood the dangers. A lot of parents are encouraging their

and think 'I wish I was doing that'."

"I've always considered the pros of being 'the son' of have outweighed the cons, so I've never really worried about the negative side. We get on great. I think we have our differences, but that's normal. It's healthy."

'The emotion of Monaco was intense for us. I've never felt anything like that as a racing driver. We do get emotional'

the flight from London to Glasgow when Paul told me he was going to retire from racing and I was taken aback. But I was happy and relieved, as any loving parent would be. For all the good things motor racing has done for me, you don't think of these when it's your own flesh and blood out there driving. It used to ruin my weekends."

children to go racing because they haven't experienced the pitfalls and don't appreciate what you have to go through."

"This job is certainly far more difficult and complex than ever it was when I was a racing driver. But I enjoy it more and believe I'll find it more satisfying and fulfilling. At no time do I see a car going out

Jackie: "I don't think I've ever had to pull rank. I did have to point out to Paul that a Friday launch of the car was no good because you don't get prints."

"We have always been a very close family - my wife Helen, Paul and our other son, Mark. I think I am so lucky we are doing something together like this, rather than having said here you

are darling, there's a million, go off and have fun and build your own wee company, but for goodness sake, don't lose it all because you'll not get any more."

So far, this substantial company has exceeded their expectations. The target of two points from the season was achieved threefold in that one race at Monte Carlo and the general level of performance, despite the disappointing form of the other driver, Denmark's Jan Magnussen, has sustained the sense of progress.

Jackie: "We are way ahead of our dreams and we've been really well received, particularly by the British public. You would have to expect the peaks and valleys nature of the season."

"Our target now is to get more finishes, and if we do that we have a chance of one or two more points. But that will take

some doing when you consider the cars we have to beat."

One or two points at the British Grand Prix, which Jackie won in 1969 and 1971, would be particularly precious.

Jackie: "People invaded the track in the days when I won it. It's nice to do it in your own backyard and I suppose it's an edge to the team, but I don't know if I'll be any more nervous than I was at Monaco or the French Grand Prix."

Paul: "There is definitely more of a feeling among the guys and the factory staff for this one. They can relate to it more because it's their home grand prix and they want to come to it."

Jackie: "If we get in the points at Silverstone that will be fantastic. But that might be too much to ask. God's been very kind. We shouldn't bend his arm too much."

Damon Hill's Formula One future is back in the balance after his Arrows team lost out on a lucrative engine supply deal with Mugen-Honda to their British rivals, Jordan.

Tom Walkinshaw, Hill's team chief, had been hoping to change his Yamaha engines, which have been criticised for their lack of reliability and horsepower, for their Japanese rivals from next year. He will now have to decide whether to stay with Yamaha, buy in Ford engines or perhaps build his own.

The development could have a major bearing on Hill's career. The 37-year-old world champion knows he needs a more powerful engine if he is to challenge again for the championship. He may not now take up the option of an extra season with the Oxfordshire-based team, knowing their chances of being competitive next year have been dealt a serious blow.

He was tipped to join Jordan this season before opting for a £4.5m deal with TWR, but could yet link up with the Silverstone team. Jordan's drivers, Giancarlo Fisichella and Ralf Schumacher, have been linked with moves to Benetton and McLaren respectively for next season.

Hill's acknowledged technical know-how and feedback could be vital as Jordan begins the learning process with Mugen-Honda after three years with Peugeot.

Peugeot are now expected to form an all-French alliance with the team headed by the four-times world champion, Alain Prost, who are at present using the Mugen-Honda engine. Hill could also find a home there.

Eddie Jordan, founder and managing director, believes the deal will help his team make that next step up to become world title challengers. "This is another significant milestone for Jordan," he said. "We have worked hard for a long time to earn this opportunity. Mugen-Honda will provide additional strength and depth to our package."

■ Gerhard Berger will miss Sunday's British Grand Prix as he continues to recover from a sinus operation. For the third successive race, the Austrian will be replaced in the Benetton-Renault team by his compatriot Alexander Wurz. Berger hopes to be back behind the wheel for trials at Monza from 15 July.

Real men play under a roof with balls that don't bounce

Sir Charles Day Rose must have been quite a guy. A paint magnate and MP for Newmarket from 1903 to 1910 he is said to have dug up his wife's prize rose beds while she was out shopping. The reason? So he could build a tennis court in the back garden of their home in Goring, Oxfordshire. As he already owned two courts, it must have been quite a shock for Lady R. It is perhaps no surprise that her husband is believed to have been the inspiration for Mr Toad in Kenneth Grahame's *Wind in the Willows*.

It was not any old court either. Instead of a neat lawn with geometric markings, his wife was confronted by a huge structure bearing a vague resemblance to a medieval courtyard. Her reaction is not recorded, but those who get record to real tennis certainly act in strange ways.

Anthony Coles has not gone as far as knocking down the garage housing his restoration project (a 1977 Reliant Scimitar) at his home in Dereham, near Norwich, but he has done the next best thing. As well as perpetuating the legend of the eccentric paint millionaire, Coles has plans to build a string of real tennis clubs right across the country. When you consider there are only 21

clubs in the United Kingdom, that is quite a leap of faith. But he is convinced that real tennis is in for a real revival.

And why not? After all, at one time there were more courts than churches in France. Paris alone had more than 250. In this country, Cambridge boasted 20 courts. Real tennis is by far the oldest racket game, stretching back to the 11th century as an Italian street game or played by bored monks, whacking pebbles around their cloistered courtyards, depending which version of its genesis you believe.

Its "real" forename is a bit of a misnomer too, though enthusiasts claim similar games are pale imitations. The name has been corrupted from "royal", and it was the sport of kings even before Lester Piggott was born. Prince Edward is keeping the tradition alive today though let us hope he has better luck than others of royal lineage.

When it comes to regicide, real tennis has been far more effective than any scheming courtier.

Louis X of France caught a chill playing the game, and died shortly afterwards. Charles VIII whacked his head on the lintel of a low doorway on his way to watch a match. The blow was so severe that a few days later, he became Louis' playing partner.

That is where Coles comes in. "I had a friend whom I used to beat at squash, and he invited me to try this game," he says. "I fell in love in just 30 minutes,

even though I hardly got the ball over the net. It is the most interesting and beguiling of racket sports."

"In other sports, when you become fat and 50, your playing expertise declines rapidly. With this game, you can take it up at 50 and spend the next 20 years improving."

Coles played as much as he could. "But I got more and more frustrated that there was just nowhere to play." Then he heard about an old court standing next to a new court standardised in 1901 by Charles Rose. A strange factory-like building in the heart of a horse-racing town, it needed substantial work, but Coles was convinced it was a project that could work. It made selling gas heaters to the Saudis look a simple task.

"The banks were, er, intrigued," he recalls. "I had to persuade them to take up the game from scratch." But he won. The Newmarket Real Tennis Club opened in May 1995, and its success has surpassed Coles' dreams. "We convert 66 per cent of the people who come along to try it into members."

What is it about the game, with its sagging nets, funny-shaped rackets, odd expressions such as giraffe, defens, and tambour, balls that don't bounce (they are all made by the professionals); net-covered goals and uneven-shaped court, lined by elongated sheds with sloping roofs? For Coles, a former teacher of art history, it is the strategy involved. "It's an intellectual challenge. I never realised what a boring game squash was until I took up real tennis."

He also likes the quirkiness. "It's the only game where you can win a point by not hitting the ball. And it demands total honesty. Your opponent 110 feet away can't see where a ball has landed, so you are calling your opponent's wins and losses. It's without point unless played in a totally sportsman-like way. That said, it's much easier to play than it looks."

It is also a sport where guile can beat the fast and fit. Olivier Michel, the professional at Coles' Newmarket club, ruefully agrees. "When I was 16, I was beaten by a 78-year-old with a bad knee. It's not all about running around the court very fast and hitting the ball as hard as you can."

Having found a new market at Newmarket, Coles was not content to let it stop there. "I think that you didn't have to renovate existing courts, which is expensive anyway, and that if it worked in Newmarket, which is obsessed with horse racing, it could work in any large town or city. Our market is all the people who got turned on to squash 30 years ago."

He gave up his job in the chemicals industry and went into it full-time. At the end of this year, a new club opens in Norwich. He hopes to build a year for the next five years.

His plans have not met total support from the real tennis establishment, however. "I think they are supportive, if a little reserved about some of the ramifications," Coles says, choosing his words carefully.

"It is slightly faster than they had envisaged, but it's a small game. Even if we build as we hope, the numbers will only increase from 3,000 to about 5,000."

If I were his wife, I would keep a very close eye on that paddock in the back garden.

The Tennis and Rackets Association is at The Queen's Club, London W74, tel: 0171-386 3447.



Anthony Coles: Finding a new market for real tennis. Photograph: Steve Parsons

Scotland's 14 new caps for historic first

Rugby League

DAVE HADFIELD

Scotland have named no fewer than 14 new caps for their match against France at Partick Thistle tonight. Only the London Broncos full-back Nick Mardon, Sheffield centre Matt Crowther, and the Huddersfield hooker Danny Russell, who will captain the side, survive from last year's victory over Ireland in the first Scotland match to be recognised as a full international.

Those who are absent include the former Widnes and Leeds full-back, Alan Tait, who was keen to play but only returned from the Lions tour yesterday.

"I still think we have a side that is capable of doing the job against France and of raising the profile of the game in Scotland," said the side's coach, George Fairbairn, the former Wigan and Hull KR full-back who now coaches Hull rugby union club.

Last season's 26-6 victory over the Irish was seen as an encouraging start for Scotland as a presence within the international game and there has been at least one approach from a consortium wanting to plant a Super League franchise in Glasgow.

But the game remains in its infancy north of the border and several of tonight's participants have only tenuous links with Scotland. Victory at Firhill Park over an established league

nation, however, can only help in the struggle for credibility.

London's Great Britain tourist, Iulien Toller, the former Wigan and Hull KR full-back who now coaches Hull rugby union club.

Toller, born in England but brought up in Australia, says that his switch of countries and codes will be a result of the uncertainty over rugby league's direction. "I'm not putting rugby league down, but the politics is turning people away and there are a few players who feel the same as me," he said.

Oldham have signed the Australian loose forward, Ian Russell, from the North Queensland Cowboys. Russell, who will be 32 next month, made his

name as one of Australia's most creative forwards at Illawarra and also played briefly at Sheffield Eagles. He played three games for Paris last season before being forced home by injury.

He replaces Nathan Turner, who has gone home suffering from a foot injury without playing a Super League game on Oldham's import quota.

Oldham's estranged loose forward, David Bradbury, is attracting interest from Hull, London and Salford after turning down a move to Sheffield.

Tony Smith, the Wigan scrum-half, is the Stones Gold Award winner as player of the month in June, a month during which he equalled the Super League record of five tries in a match.

Graf gears up for return

Tennis

Steffi Graf, who is recovering from knee surgery, says she expects to return to play in the

five-man Nevada Athletic Commission disciplinary board indicated yesterday that Tyson's apology for biting the ear of Evander Holyfield will have a positive bearing on the punishment due to be meted out to the former world heavyweight champion in Las Vegas today.

The board will take into account Tyson's avowed intention to undergo some form of counselling to counter fury that erupted in the ring against Holyfield 11 days ago. That show of remorse may yet prove

to be his saviour, the commission's chairman, Elian Ghannem, said yesterday.

The thing I liked about the apology was that he said he needed some psychological and psychiatric treatment," Ghannem said. "As a doctor I think that's significant."

The 31-year-old Tyson, who has been stripped of his ranking by the World Boxing Association, will not evade punishment, however. "The apology doesn't change what happened in the ring," Ghannem added.

The commission, who will hold Tyson's \$30m purse pending the outcome of today's hearing, needs to exert control, but what Tyson does after that is uncertain. "The kid needs help," said Angelo Dundee, who has guided Sugar Ray Leonard and Muhammad Ali among others. "He needs psychological help. I don't know where he's going to come from, but he needs it."

Many in boxing, including Tyson's first co-manager, Bill Cayton, suggest a split from the promoter Don King as a first step in changing Tyson's life. "Tyson's problems are 99 per cent Don King," Cayton said. Tyson's suspension from boxing could range from a year to life. "Anything over 12 months would be disastrous," said the veteran trainer Emanuel Steward. "His style of fighting is not laid-back like Sugar Ray or Ali."

Hope for Tyson as ban looms

Boxing

Grand prix ambition
Derick Allsop on a father and son double act, page 22

sport

Real men at play
Keith Elliott on an unusual entrepreneur, page 22

England selectors stand by their team

Cricket

DEREK PRINGLE
Cricket Correspondent

The England selectors, keen to play their role in the psychological warfare in this Ashes series, have acted with unprecedented speed in naming an unchanged squad for the Headingley Test on 24 July, just 24 hours after losing the third Test. By keeping faith with those involved in the débâcle at Old Trafford, the message to Australia is one of confidence and faith, sentiments

mostly lacking when England have lost in the past.

The chairman of selectors, David Graveney, and his co-selector Graham Gooch were at Old Trafford on Sunday, where they spoke to Mike Gatting by telephone. Having agreed on the same side plus Phil Tufnell, they felt it was in everyone's interest to announce it sooner rather than later. "We felt we needed to select the side as soon as possible," Graveney said yesterday. "As selectors we were keen to indicate confidence in the XI at Old Trafford."

Two of those involved in the build-up for the last Test, Devon Malcolm and Mike Smith, have been left out, though the selectors can still make changes should injury or conditions take them by surprise. However, the pair, along with Essex's Ashley Cowan and the Hobbie brothers, will join the squad for a two-day seminar prior to the Test.

The get-together, like the one during April, will once again involve Will Carling's company, Insights, who hope to obtain the services of the Lions coaches, Ian McGeechan and Jim Telfer, in

an attempt to refocus England's bid for the Ashes.

"There are lessons to be learnt from Old Trafford," Graveney continued. "The seminar is a good opportunity for us to assess things. At 1-1, we have a great chance to win the series and 'Bumble' [David Lloyd] in particular, wants to reaffirm how we want to win."

"The players realise that they are in the middle of a major scrap. But we have to remember well positively we played at Edgbaston. The side who wins this series will be the one that

bounces better off the ropes: Australia showed they could do it. Now we must."

If there is one wish, apart from winning the Ashes, that Michael Atherton has cherished above all since becoming captain – other than a gagging order on Raymond Illingworth – it is that continuity over team selection be observed.

Now that is happening, he must prove its merits. England may have been outclassed in Manchester, but by not making changes they clearly believe they have the players and the

game plan to beat Australia for a second time. However, as we saw, things do not always pan out as you expect and despite having by far the best conditions to bowl and bat in, as well as the right team to exploit them, England were roundly trounced.

Moping after losing can be counter-productive at this time of the season and the selectors' speed will have helped to fulfil Atherton's desire for his players to return for the fourth Test "feeling mentally refreshed".

To the Australians, used to beating England and then watching them capitulate fur-

ther into disarray, the announcement will certainly have had some novelty value. It may not ruin their Scottish sojourn, but it will probably raise an eyebrow or two when this news finally reaches the golf course.

It may not be the reaction of a team overconcerned about their opponents, but the Pommie bravado has never much bothered them before.

ENGLAND SQUAD for fourth Test: M A Atherton (capt), M Butcher, A Caddick, M Hutton, G A Jackson, D Gough, A R Hadlee, D W Headley, P C R Illingworth. More cricket, page 23

Kendall's price is right for Rytter

Football

ALAN NIXON

Howard Kendall is poised to make Denmark's right-back, Thomas Rytter, his first signing after returning to Goodison Park as manager.

The defender is flying in to start a loan spell from Seville, who will let him go for around £1.5m after being relegated from the Spanish First Division.

Rytter, who plays his international football alongside the likes of Peter Schmeichel and Brian Laudrup, is keen to come to England and has also been watched by Tottenham.

He will play in the Dave Watson Testimonial next Wednesday, and then will play against the Scottish champions, Rangers, with the chance of clinching a permanent move and solving one of Kendall's position problems.

Kendall is also hoping to extend the contract of his Scottish international striker, Duncan Ferguson into the next century.

Chelsea have agreed a £300,000 fee with SK Brann to

enable them to secure the Norwegian international striker, Tore Andre Flo, in time to be registered for the start of their European Cup-winners' Cup campaign. The 6ft 2in 24-year-old forward, who scored twice in Norway's recent 4-2 victory over Brazil could have gone to Stamford Bridge on a free transfer, but Chelsea would have had to have waited for his contact in Norway to expire at the end of October.

Chris Waddle and Glenn Roeder, Burnley's new managerial team, have their sights on winning promotion at the first attempt. Waddle and Roeder, one-time playing colleagues at Newcastle, set out their plan after agreeing three-year deals in succession to Adrian Heath who quit the Burnley job two weeks ago to become assistant to Howard Kendall at Everton.

"We're going for promotion straight off and while nothing is for sure we will give it a real go," Waddle said. "If we fail it won't be because we haven't made the effort or been fully committed."

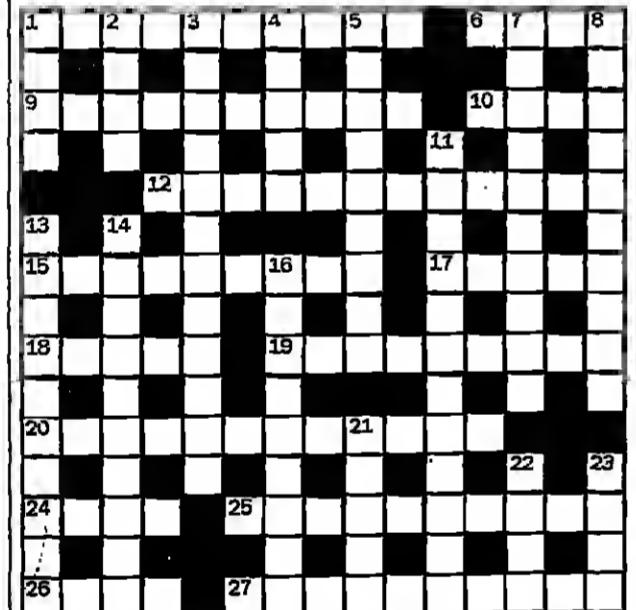
More football, page 23

THE INDEPENDENT CROSSWORD

No. 3346, Wednesday 9 July

By Aquila

Tuesday's Solution



ACROSS

- Sound amplifiers among sheep, straying (10)
- City doctor, easily deceived sort of fellow (4)
- Hearty among capable hands? (4-6)
- Princess of Tyre accomplished oothing (4)
- Like a very old tiger, had beetroot cooked (5-7)
- Can such a plate be lucky for the owner? (9)
- Devotion of transoedental number, yet to be coovert (5)
- Direct attention to hot-rod, say (5)
- Phobos, for example, disclose it in a return-envelope? (9)

DOWN

- Scruffy attendant carrying note (4)
- Rook an aquatic bird? (4)
- Frank cancels R. Hill's invention! (7,5)
- Delighted to be broadcasting (2,3)
- Making Bill work in the house? (9)
- Its charter, in a way, working with numbers (10)
- ABO, say, in family strains? (3,5)
- Double vision (12)
- Loa, say these petticoat-tails (10)
- Legendary according to Maxim, we hear (10)
- He is, in 14's way, lost! (9)
- I competed, surrounded by climbers on a wall (5)
- Bishop on Vichy water, perhaps, is such a dandy (4)
- Unrepeatable, this introduction to fairy-tale (4)

5 Making Bill work in the house? (9)

7 Its charter, in a way, working with numbers (10)

8 ABO, say, in family strains? (3,5)

11 Double vision (12)

13 Loa, say these petticoat-tails (10)

14 Legendary according to Maxim, we hear (10)

16 He is, in 14's way, lost! (9)

21 I competed, surrounded by climbers on a wall (5)

22 Bishop on Vichy water, perhaps, is such a dandy (4)

23 Unrepeatable, this introduction to fairy-tale (4)

20 Describing the pressure revealed some lob-taping? (12)

24 Send forth from semi-tropical interior (4)

25 Tall, thin person to hang head (6-4)

26 Benefit of Spaniard's last cry of acclaim (4)

27 Without society tutors are failing to create a popular course (5,5)

1 Sound amplifiers among sheep, straying (10)

6 City doctor, easily deceived sort of fellow (4)

9 Hearty among capable hands? (4-6)

10 Princess of Tyre accomplished oothing (4)

12 Like a very old tiger, had beetroot cooked (5-7)

15 Can such a plate be lucky for the owner? (9)

17 Devotion of transoedental number, yet to be coovert (5)

18 Direct attention to hot-rod, say (5)

19 Phobos, for example, disclose it in a return-envelope? (9)

Frannie Dettori drives Shantou to victory over Swain (on the rails) in the Princess of Wales's Stakes at Newmarket yesterday. Photograph: Robert Hallam

Cecil shows signs of strain

Racing

GREG WOOD
reports from Newmarket

The births column of the local newspaper here could make interesting reading this week. "CECIL", the entry might begin. "To Henry Richard Amherst, the most successful trainer of the last 20 years, at the July course on Tuesday: a fit, healthy persecution complex, which is growing by the week."

That, at least, was the strong impression here yesterday as Cecil, whose natural attitude lies somewhere between placid and comatose, offered evidence that after 28 years at the top of his profession, he has suddenly started to feel the pressure.

A fortnight ago, after Royal Ascot, Cecil accused Michael Kinane, probably the finest jockey in Europe, of "sabotaging" two of his runners at the meeting.

Then, on Saturday, he watched in despair as Bosra Sham, the best middle-distance horse in Europe and a particular favourite of the trainer, finished third in the Eclipse Stakes.

Cecil later described the riding tactics of Kieren Fallon, his stable jockey, as "appalling", which was a fair assessment – Fallon allowed himself to be boxed in and then attempted to force his way through a gap which only be

could see – but one which he would not normally have been expected to make public.

Yesterday morning, Cecil confirmed in a statement to the Press Association that Fallon will no longer ride either Bosra Sham or Lady Carla, the 1996 Oaks winner. Both are owned by Wafic Said, the Syrian businessman, whose own opinion of Fallon's performance on Saturday is believed to be unprintable (even in Syrian). "I have de-

cided," the statement said, "having talked to connections and in the best interests of the fillies that Kieren Fallon will be replaced in their future races."

Trainer and jockey made a more positive start to the afternoon, as Craigsteel ran away with the maiden which opened the Newmarket card (there was, incidentally, little chance of Fallon finding himself boxed in, as he led throughout the race).

Asked to elaborate on his statement, Cecil instead delivered what was, by his normal taciturn standards, a rant. "Have you read it?" he snapped at an unfortunate reporter from the *Sporting Life*.

"It should be clear what it says, and if it isn't, then you must be stupid. I'm sick of all the rubbish that's been printed about me. Just leave me alone."

The association between

was little sign that Cecil's mood had improved.

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The association between

Cecil, the foppish, upper-class gent, and Fallon, who arrived at Warren Place stables with a rough-house reputation born of countless run-ins with the authorities, was always out of the turf's more unlikely professional marriages. Fallon's most famous red-mist moment came after a race at Beverley in 1994, when a long-standing feud with another rider, Stuart Webster, culminated in Fallon hauling Webster from his saddle, watched by astonished punters in betting shops throughout Britain. Fallon was banned from riding for six months as a result.

"There's no strain on my half [of the partnership]," Fallon said after his success on Craigsteel yesterday. "Obviously Mr Cecil probably isn't as confident as he was going into the Eclipse, but we'll hope to change that before the end of the year."

If Fallon remains optimistic, however, the nervous, irritated expression on his employer's face implied that at present he does not share the jockey's outlook on life. Craigsteel's race was a maiden which often pinpoints a major contender for the following season's Classics, and the colt is now a 20-1 chance with the bookmakers to win the 1998 2,000 Guineas. The odds that he will do so with Kieren Fallon in his saddle, however, are at least 10 times larger.



Kieren Fallon in the winners' enclosure at Newmarket yesterday after his victory in the first race on Craigsteel, trained by Henry Cecil (left). Photograph: Robert Hallam

NatWest Trophy: seconds out, round 2.

The sixteen teams left standing continue the knockout fight for the NatWest Trophy today. No 'tampering' or 'sledding' and may the best men win.

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